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JAPAN REPORT

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POLITICAL AND SOCIOLOGICAL

LDP PRESENTS SEAT REDISTRIBUTION BILL TO DIET

OW310806 Tokyo KYODO in English 1630 GMT 31 May 85

[Text] Tokyo, 31 May (KYODO)--The ruling Liberal-Democratic Party (LDP), overriding strong intra-party objections, Friday submitted a seat redistribution bill to the Diet in what is widely regarded as a mere political gesture toward redressing the widening inequality in the weight of votes for elections to the lower house.

The bill formally cleared the LDP's executive board earlier in the day after more than a year of acrimonious debate within the party.

LDP executive board chairman Kiichi Miyazawa said there was no dissent within the board, and that the party would allow a free debate, without LDP Diet members being tied by party rules.

Miyazawa completed the bill Thursday in a meeting with State Minister Toshio Komoto, the main critic of the so-called "six plus, six minus" plan.

The bill involves transferring six seats from thinly populated rural constituencies to the more densely populated urban constituencies around the Tokyo metropolitan area in the 511-member House of Representatives.

The proposed seat redistribution formula would reduce the gap of Diet representation to a ratio of around 3 to 1 from the present ratio of more than 4 to 1.

It is the first postwar attempt to restructure Diet representation through seat redistribution, the previous revisions having been carried out by increasing Diet seats.

Both opposition parties and elements within the LDP have attacked the "six-six" plan, the opposition for fear that it will lead to a reform of the multi-seat electoral system.

The system, which allocated three to five seats for each electoral district with the single exception of the small Amami Island group, is believed to favor the present multi-party system, making minor parties to fight for Diet representation.

On the other hand, some LDP politicians, particularly those who belong to a small faction led by Komoto, are strongly opposed to the "six-six" plan over fears that the position of their factions within the LDP will be weakened.

In consenting to the submission of the seat redistribution bill, the Komoto faction has wrested a commitment from the party leadership not to force it through the Diet, political sources said.

As a political compromise toward party consensus, Miyazawa said the LDP leadership has decided to lift party rules in handling the bill, meaning that LDP members are free to oppose the measure in Diet debate.

The consensus within the LDP is that the bill marks only a political gesture in view of an anticipated ruling by the Supreme Court this summer that is generally expected to declare the current representation gap "unconstitutional." Several lower courts passed similar verdicts last year.

CSO: 4100/554

POLITICAL AND SOCIOLOGICAL

TANAKA FILES APPEAL PAPERS WITH TOKYO HIGH COURT

OW291341 Tokyo KYODO in English 1117 GMT 29 May 85

[Text] Tokyo, 29 May (KYODO)--Former Prime Minister Kakuei Tanaka's lawyers filed a dossier detailing his appeal with the Tokyo Hygh Court Wednesday against a 1983 decision which found him guilty in Japan's worst bribery scandal.

Lawyer Katsuyoshi Shinzeki, the chief defense attorney, said the ailing 67-year-old conservative politician had approved the 3,024-page, 1.5 million-word prospectus.

The dossier denies that Tanaka took a 500 million yen bribe from the U.S. aircraft maker Lockheed Corp through its sales agent Marubeni Corp to help promote sales of Tristar jets in Japan.

If Lockheed actually paid the money, it must have been delivered to Marubeni as marketing promotion funds to sell P3C anti-sub patrol planes or fighter planes, the dossier says.

On October 12, 1983, the Tokyo District Court found Tanaka guilty of bribery and violating foreign exchange regulations and sentenced him to four years in prison and a fine of 500 million yen.

Tanaka, released on 300 million yen bail the same day, filed an appeal with the Tokyo High Court.

Because Tanaka is ill it is now known when the high court will begin hearing his appeal.

The former premier, who is still regarded as Japan's most powerful politician, was taken to the hospital after a stroke on February 27.

Doctors later said Tanaka had suffered a cerebral infarction, a loss of blood supply to the brain, and would require up to three months to recover. The three months elapsed last Sunday.

Tanaka has been recuperating at his home here after leaving the hospital in late April.

CSO: 4100/554

POLITICAL AND SOCIOLOGICAL

NAKASONE TO PRESENT SEAT REDISTRIBUTION BILL

OW281211 Tokyo KYODO in English 1049 GMT 28 May 85

[Text] Tokyo, 28 May (KYODO)--Prime Minister Yasuhiro Nakasone resolved Tuesday to present a government bill on redressing the balance of representation in the 511-member House of Representatives to the current Diet session, overriding a strong objection from a powerful cabinet minister, political sources said.

Nakasone resolved this after meeting Susumu Nikaido, vice president of the Liberal-Democratic Party (LDP). Nakasone is the president of the party.

The bill, the focal issue in the current Diet session which ends this summer, calls for taking six seats from underpopulated rural areas and giving them to big cities.

State Minister Toshio Komoto, Nakasone's main LDP presidential rival in 1982, is opposed to the bill. So are the Japan Socialist Party and other opposition parties.

Political sources said the government and LDP leadership will try to get cabinet and LDP Executive Council approval for the bill Friday for its presentation to the Diet the same day.

The sources, however, foresaw trouble in this process because the government bill needs the signatures of all the cabinet ministers, including Komoto.

Some members of the Komoto faction in the ruling party are advocating the presentation of their own bill on the lower house seat redistribution.

The Komoto faction Tuesday held an executive meeting and decided to watch moves of LDP Secretary General Shin Kanemaru who has been entrusted with the job of mediation on the matter.

The supreme court declared a 1-to-3.9 vote discrepancy unconstitutional in a June 1980 ruling. It is expected to follow its own precedent in another ruling this fall.

In the most glaring discrepancy, a vote in the fifth Hyogo constituency, a rural area west of Osaka, was calculated to be worth more than four times a vote cast in the most populous electoral district in Chiba Prefecture, east of Tokyo.

CSO: 4100/554

POLITICAL AND SOCIOLOGICAL

TANAKA MARKS 3 MONTHS AWAY FROM POLITICS

OW260943 Tokyo KYODO in English 0928 GMT 26 May 85

[Text] Tokyo, 26 May (KYODO)--Former Prime Minister Kakuei Tanaka observes his third month away from politics Monday amidst mounting speculation that a stroke he suffered February 27 may have put an end to his political career.

Tanaka, dubbed "shogun in the shadow" because of the enormous political clout he maintained even after giving up the premiership, has been out of touch with political wheeling and dealing since he was rushed to the hospital after being stricken by the stroke.

He has been shielded by a veil of secrecy, subjecting himself to the close protection of his daughter and closeting himself in his sprawling residence in Tokyo's Mejirodai District.

Tanaka was first taken to Tokyo Teishin Hospital, but was spirited back to his home in late April.

Official statements issued when he was hospitalized said he would be back to active politics in three months.

But as three months have now elapsed, speculation is growing in political circles that he will need a least a year to recuperate and rehabilitate or that his political career has ended.

His daughter Makiko, 41, has emerged as the sole person responsible for looking after the former premier, who was forced to resign in 1974 in the face of mounting criticism that he had amassed a fortune in shady real estate transactions.

He then was arrested in the summer of 1976 and charged with receiving a 500 million yen bribe from the American airplane maker Lockheed.

He was sentenced to four years' imprisonment but has been free on bail while his appeal is dealt with by Tokyo High Court.

Despite all these developments, the 67-year-old conservative politician has maneuvered himself to remain the de facto head of the ruling Liberal-Democratic Party's largest faction.

His illness, however, has kept him out of contact with any of his faction members, as his daughter declared she does not like politicians and that she would attend to her father's rehabilitation herself and return him to politics.

She has publicly declared that Tanaka's longtime secretary Shigezo Hayasaka will no longer be permitted to visit his boss.

Only Tanaka's aides and supporters in his election district in Niigata are authorized to call on his residence, set in a spacious 8,500 square-meter plot of land.

While his physical condition is being kept secret, Tanaka's family has puzzled many politicians by mortgaging part of the land to borrow 250 million yen.

Previously they thought Tanaka was comfortably off.

It has been said the February 27 stroke paralyzed the right side of his body and impaired his speech.

But there have also been reports that he is having trouble with his left hand.

CSO: 4100/554

POLITICAL AND SOCIOLOGICAL

BAR LEADER ON OPENING LEGAL FIELD TO FOREIGNERS

OW251119 Tokyo KYODO in English 1104 GMT 25 May 85

[Text] Tokyo, 25 May (KYODO)--The president of the Japan Federation of Bar Associations said Saturday that the organization should comply with calls to ease restrictions on foreign lawyers who want to practice in Japan.

Seiichi Ishii, president of the federation, told its 36th annual convention that restrictions could be eased on condition that Japanese lawyers be given similar opportunities to practice in foreign countries, and as long as foreign lawyers in Japan are placed under the supervision of the federation.

Prime Minister Yasuhiro Nakasone, a guest speaker at the convention, had earlier stressed the need to open the Japanese legal field to foreign lawyers as well as in the more publicized areas of agricultural and technological imports.

Ishii's speech came after Nakasone told the convention that he hoped federation members would recognize that the rest of the world expects Japan to play a greater role as a member of the international community. Nakasone urged them to comply with the government's wish to ease access for foreign lawyers to practice in Japan.

The federation has been virtually banning foreign lawyers from opening new offices in Japan, claiming that their counterpart organizations abroad similarly limit Japanese lawyers' activities in their countries.

The issue was raised by American and European lawyers simultaneously with their countries' demands to Japan to open its markets wider to lessen the vast trade surpluses which Japan enjoys with the U.S. and Europe.

Ishii, the leader of the 12,600-member federation, added that the issue should not be discussed only in the context of the liberalization of the Japanese legal field, because easing restriction might affect the activities of Japanese lawyers.

Reciprocity among the countries concerned would be the solution, he said.

CSO: 4100/554

POLITICAL AND SOCIOLOGICAL

NAKASONE URGES MORE FOREIGN LAWYERS IN JAPAN

OW250627 Tokyo KYODO in English 0611 GMT 25 May 85

[Text] Tokyo, 25 May (KYODO)--Prime Minister Yasuhiro Nakasone urged the Japan Federation of Bar Associations Saturday to move swiftly to allow foreign lawyers greater scope for activities in Japan.

Speaking to the 26th annual convention of the federation, Nakasone stressed the need to open the Japanese market in the field of bar activities as well as in the more publicized areas of agricultural and technological imports.

The federation has been virtually banning foreign lawyers from opening offices in Japan, claiming that their counterparts abroad, especially in the United States, similarly limit Japanese lawyers' activities in their countries.

The issue was raised by American and European lawyers simultaneously with their countries' demands to Japan to open its markets wider to lessen the vast trade surpluses which Japan enjoys with the U.S. and Europe.

Nakasone, in his Saturday speech to Japanese lawyers, said he hoped they would recognize that the rest of the world expected Japan to play a greater role as a member of international society, urging them to agree to the government idea of facilitating access by foreign lawyers.

Meanwhile, the federation was scheduled to approve during the annual convention a proposal to allow Japanese lawyers to put advertisements in magazines and papers, starting October 1.

Japanese lawyers hitherto have not been allowed to publicize themselves through the mass media other than by putting their names in telephone directories because of a federation regulation.

CSO: 4100/554

POLITICAL AND SOCIOLOGICAL

JCP'S FUWA ON NAKASONE, RELATIONS WITH USSR, PRC

OW301118 Tokyo NHK Television Network in Japanese 1323 GMT 29 May 85

["How To Tackle Political Tasks" program: "Interview with JCP Chairman Tetsuzo Fuwa by NHK commentator Ichiro Maeda and NHK announcer Yoko Sakurai at the Constitutional Government Memorial Hall in Tokyo, date and time not given--recorded]

[Excerpts] [Maeda] Now, let us talk about the political situation. When this Diet session ends, throughout summer and fall, moves to seek a generation change are expected to become active within the LDP. There will be various activities in this connection. Mr Chairman, how would you like to cope with the forthcoming political developments?

[Fuwa] People talk about a fluid political climate, a generation change in politics, a shift in the balance of power among factions, and many other things. However, what really matters to the people is the substance of our politics. In this connection, I would like to point out that, when the present Nakasone administration was set up, our party immediately expressed the view that this administration would be the worst of all LDP administrations. Looking back at the past 3 years, we can say that what we said then was right. This administration has forced the people to make sacrifices and bear heavy burdens on the pretext of facing fiscal difficulties. But it has been promoting armament at a faster pace than anything else. It has sharply reduced welfare, a field in which past LDP administrations had boasted achievements.

[Maeda] Let us change subjects. I understand that the JCP has asked the new Gorbachev regime to resume consultations. What is the main purpose of this proposal?

[Fuwa] The proposal concerns the abolition of nuclear arms. Former General Secretary Chernenko and Chairman Miyamoto met in December last year. Putting an end to past arguments, they agreed to jointly tackle the issue of abolishing nuclear arms as the most urgent and vital task in the field of politics and the peace movement. They issued a joint statement indicating this agreement. When Mr Chernenko died, I went to Moscow and met with the new general secretary, Gorbachev. At this meeting, Mr Gorbachev and I

confirmed that both sides would continue to promote the spirit of this joint statement. This joint statement was not merely intended to announce the aforesaid agreement. It expressed the joint determination to put this agreement into practice through summit talks and regular meetings between the two parties. About half a year has passed since then. During this half year, various developments have taken place, including the opening of the U.S.-Soviet negotiations. Under these circumstances, it has become necessary to examine the two sides' activities in the past half year and exchange views as to what the world peace movement should emphasize and on many other issues. This is why we made the proposal to resume consultations.

[Maeda] Will the proposed meeting also discuss the all-Asia security forum recently proposed by General Secretary Gorbachev, and the northern territorial question?

[Fuwa] The two sides put aside the controversial territorial and Afghan issues in order to reach the agreement reflected in the joint statement. Therefore, the main subject to be discussed at regular meetings and summit talks is how to put into practice this agreement to strive to abolish nuclear arms through political activities and movements. Of course, other issues may be brought up in the course of discussions, but the main subject will remain the same.

[Sakurai] Now, let us change our topic from relations with the Soviet Union to relations with China. Nearly 20 years have passed since the JCP broke off relations with the CPC during the Great Cultural Revolution. We recently heard that there have been signs of improvement in the relations between the two parties. Is this correct?

[Fuwa] We would like to have our problems straightened out before improving relations. This is important. To tell the truth, the same thing happened before in our relations with the Soviet Union. Both the Soviet Union and China began interfering in party activities and movements in Japan at about the same time. As for China, it created a pawn to interfere in our party affairs. It instigated this pawn to oppose our party. The Soviet Union used the same method. However, about 6 years ago the Soviet Union admitted its error and openly stated that it would no longer have relations with its one time tool in Japan. Despite the many differences of views, this Soviet action provided the groundwork for the current relations, which are good enough to allow both sides to cooperate on the nuclear issue. The same thing has not yet taken place in our relations with China. Therefore, we have repeatedly been saying in public that it is not the differences in views between the two parties that we oppose. What we oppose is the practice of creating a tool in the other party's country and continuing to maintain relations with it. We maintain that the problem will be removed if China takes proper steps to stop this practice.

[Maeda] Concretely speaking, are you hinting at the existence of the Japan Labor Party?

[Fuwa] Yes, that party is one example.

CSO: 4105/288

POLITICAL AND SOCIOLOGICAL

NEW MAP OF TANAKA FACTION DRAWN

Tokyo SEIKAI ORAI in Japanese Apr 85 pp 20-34

[Article by Satoshi Ise: "Appearance of Noboru Takeshita Means Crushing of the Successor Genri Yamashita"]

[Text] Road of No Return for Takeshita Soseikai

At 8:47 am, 7 February, Takeshita stepped out of a car, evidently having a hard time hiding a hint of stress. Takeshita was silent under a flood of television camera lights and facing the microphones following him. His lips were tightly closed and his eyes were slightly red, perhaps showing a sign of a sleepless night. An old hand in politics, having experience in cabinet positions and party's executive positions, Takeshita seems to be under unusual stress on this morning when he is forming his own study group; a stress incomparable even to that of cabinet position inauguration day.

The founding of Soseikai is really against the wishes of Kakuei Tanaka. This is a critical choice for Takeshita and one wrong step will end his political career and he will be faced with eating cold rice.

The founding meeting of Soseikai was completed within 30 minutes. The table setting was rather austere, consisting of the "Soseikai constitution," 5 pieces of small onigiri (rice ball) and miso (broth). There was no need for involved discussions. The real significance was that fellow party members were gathered together in one place.

Coming out of the meeting, Takeshita responded to the reporters' questions:

"I don't think there is any friction and misunderstanding between me and Tanaka, who really is my mentor. I had the honor of serving Tanaka as a minister of general affairs, and I value the importance of my loyalty to Tanaka."

Word by word, Takeshita carefully selected each one. When he was about to say "I served in a Tanaka cabinet as a minister of general affairs," momentarily his eyes closed as if gazing into the distance. Literally, as if Takeshita was reminiscing about his past as a "yes man" for Tanaka, there was a feeling of determination as if he were saying, "As a politician I might have to face the possibility of being crushed, but this is the road of no return."

Out of the total members of 83, 40 attended the meeting. Soseikai obtained approval of more than half of the Tanaka faction, 121 (excluding Tanaka and Kumura, chairman of the House of Councillors) who proudly asserted solidarity, and it is almost certain that this will create a storm in the LDP. Then where has this new political current originated?

Tanaka Expresses Self-Defense

Takeshita is allegedly afraid of being at the forefront even since he was ordered by Tanaka "Start from the bottom again." Although it is more probable to expect that "after 10 years of keeping a low profile" it was taken for granted that Takeshita would come out of it by now.

At the height of the double election of 1980 as a result of the sudden death of Prime Minister Ohira (at that time), Tanaka angrily reminded Takeshita "10 years too early" on the subject of a "generation shift" which Takeshita and Shin Kanemaru had raised.

In the fall of 1982, when Senko Suzuki passed away and the political power was about to change hands, Shintaro Abe and the late Ichiro Nakagawa encouraged Takeshita to take "decisive action," but he was not responsive.

Takeshita avoided surfacing until "the ripe persimmon fell off the tree" to the extent that Tanaka made a comment: "Takeshita himself is serious about his maintaining a low profile."

In the background of Takeshita's surfacing from this low profile of his political career, is the dissatisfaction of the younger members within the Tanaka faction against Tanaka. Shizuroku Kaziyama, one of the Soseikai functionaries, says that "the seed was sown a year ago." The movement "to push Takeshita through" gathered momentum in stride just about last October when Inomura joined the Tanaka faction.

"Inomura's strategy is obvious. He feels that he has a better chance to be appointed to the new Nakasone Cabinet if he is in the Tanaka faction. Since the old man is trying to strengthen his influence within the party by expanding the faction, Inomura's move will be quite welcome. On the other hand, the problem is that there are strong contenders in the party waiting for their turns for a cabinet post. Just because they have been elected several times, it is not permissible to allow the Tanaka faction's freshmen to cut into the line. If this kind of situation is left unattended, the atmosphere within the party becomes intolerable, and some kind of revitalization process has to be brought about through some sort of generation shift."

Inomura's mind changed and the idea of a cabinet post was not to be realized, but the dissatisfaction inside the party remained unchanged. This is when the Nikaido episode took place at the end of December.

As well known, this Nikaido coup d'etat which drags in some members of the opposition parties such as the Komeito and Minsha parties received a hearty welcome, "very well done," from the Tanaka faction members who did not push a

party chairman from their own faction. In addition to the Tanaka-Nakasone combination who felt some sense of emergency, the director of general affairs, Kanemaru (at the time) came aboard.

Tanaka's biggest concern is undoubtedly the Lockheed trial, which is scheduled to begin this fall. Tanaka will surely make all out efforts to defend himself to attain complete innocence by employing a group of expert lawyers. And then, with some luck, Tanaka can sit in the prime minister's seat one more time. During the Nikaido episode, at the Mejiro mansion, Tanaka told Nikaido "I will come out of this trial completely white but you will end up gray." This is an interesting episode because Tanaka is saying that a gray prime minister is inconceivable but Tanaka has a chance to become prime minister if he wins the trial and come out white (completely innocent).

As to Tanaka's situation, if one of the Tanaka faction members runs for the prime minister's post, a generation shift is most likely to begin to take place. If that ever happens, Tanaka will be pushed up as an honorary chairman in essence, and lose the real power in the party. This is why Tanaka is very keen in suppressing most likely young candidates for the party chairman's position.

Toward the end of March of last year, Tanaka preached "Self-respect, Self-discipline." At one of the Tanaka faction parties, Tanaka lectured: "Our task is to carry the administration on our shoulders and keep our nose to the grindstone. There is no need to criticize unduly the administration."

Tanaka also made similar comments at the Tanaka faction youth training session held last September: "We are 'getano yuki' stepped and kicked around but quiet." Tanaka uses the expressions "waraji wo tsukuri" and "getano yuki" as if trying to create a humble image, but in the final analysis Tanaka is really trying to protect himself for not sponsoring a candidate for the party chairman from his own faction.

Biggest Concern Is Kakuei's Anger

Looking back at the Nikaido coup d'etat, one of the members of Soseikai analyzes the situation as following:

"Kaku Sang pushed away one of his loyal followers, Nikaido. Under this situation it is highly unlikely that the old man himself would appoint Takeshita as his successor. There is a concern among the insiders that Tanaka might really be leading his faction to the grave.

"If there is any degree of truth in this line of thinking, we really have no choice but to push Takeshita through..."

Although unconditional loyalty is not called for, any action to be taken by the key members of Soseikai should be given serious scrutiny and examined carefully in order not to induce any backfire on our leader Mejiro.

At the beginning of December, Keizo Kobuchi, Shizuroku Kazimura and Tsudomu Haneda secretly met with Kanemaru and asked his cooperation to launch the campaign of the Takeshita faction. Kanemaru who has been a believer in the generation shift, often expressing his belief that "Post-Nakasone era must be for either Abe or Takeshita," readily agreed with the idea regardless of who was the first and who second. Thus, Kanemaru accepted the task of obtaining Takeshita's approval for the move.

In this manner, at the first round of strategic meetings, it was decided that Takeshita would assume all of the responsibilities as a minister of finance, and wait until the unofficial 1985 budget became available.

In the evening of 25 December, Takeshita and Kanemaru stepped into a downtown hotel room. Then followed, one by one, Shizuroku Kazimura, Keizo Kobuchi, Tsudomu Haneda, and Ryutaro Hashimoto, being very careful not to be noticed by anyone. Takeshita stated his decision: "I would like to dedicate myself to our country. I need your cooperation." And then Takeshita confirmed the following conditions: (1) Obtain Tanaka's understanding before taking any steps; (2) Do not force the members to join this study group. Even if anyone refuses to join the group at this time, it should not be interpreted as the sign of separation for the future; (3) Accept members only from the Tanaka faction.

Thus, indeed, the first step was taken toward the launching of Soseikai. The most prevalent concern of everybody present was how to proceed without arousing Kakuei Tanaka's anger. Without coming up with specific action plans, the meeting was adjourned with Kanemaru's comments, "The situation may turn out to be serious. We should be prepared for such eventualities."

As the new year dawned, and the resignation of the chairman of the lower house, Kenshi Fukunaga, became a serious issue, Kanemaru started thinking of the idea of putting up Nikaido as the contender for the chairman's position. Kanemaru analyzed the situation as following. Komei, Minsha, and Fukuda factions were looking for any hint of a second round in the Nikaido coup d'etat, and this time there was a good chance that Nikaido would surface as a candidate. Since Nikaido does not present the threat of a generation shift, acceptance may readily be obtained. By pushing Nikaido up to a chairman's position, naturally would separate him from the Tanaka faction...this must have been the reasoning behind such a maneuver.

Understanding such calculated maneuvers, Nikaido persistently kept refusing the offer until the end.

Thus Kanemaru's goal ended as a failure. This kind of tug of war over the chairman's post left a lesson for the five key founding members of Soseikai: "Organizing a Takeshita administration is not really going to be an easy task."

While the focus is directed toward the appointment of the chairman, the recruiting of the Takeshita faction was carried out in strict secrecy in every small detail. From the beginning, Kaziya, Kobuchi, and others were

thinking that the launching of the Takeshita faction would take place some time this summer. While recruiting the fellow members, they have come to draw the following conclusion: "No matter how secretly this mission is carried out it is a matter of time before Meihaku finds out. And if the order of the organization is destroyed, Takeshita's vision is lost."

As a result, they ended up beginning to move toward organizing activities regardless of how many people would follow the new movement.

At night on 23 January, 22 members got together at the Club "Katsura." The ones who Kaziyama was counting on "to line up an absolutely sufficient number of members," all attended, and a detailed strategic move was initiated. These 22 members were divided into groups of several people to form a membership drive campaign. And a communication function was organized according to their year of election (seniority) and the response was to be reported accordingly. In this manner, the magnitude of the organization and the mode of operation would become difficult for the outsiders to comprehend.

This kind of "water tight" strategy still had its limitations. The information leaked through the members whom Kaziyama approached prior to 23 January. Thus the news of "the formation of the Takeshita faction" leaked to the special political journalists roaming around the town at night. The lead was so credible that some of the members even asked these journalists for their opinion as to "whether they should join the Takeshita faction." This is the story told by respectable journalists of the leading newspapers.

"At first, we did not believe it, but after listening to the story, we began to feel that they must be serious. But writing a news story on this subject at this time could create a predicament. This plan would definitely be crushed if the news story was published prematurely. We decided to consult the desk and keep close observation. Some journalists decided not even to consult their desk for fear that their superiors might contact Meziro, and give him a clue "to move carefully."

Two days after 23 January "Katsura" meeting, political departments of major newspapers were informed of the formation of the Takeshita faction, but nobody was ready to publish the news. "Do you know?" "Yeah!" "Are you going to write?" "Well, not yet" are some of the hush dialogues exchanged among the journalists.

The Takeshita faction's move was published all at one time on 28 January. The following is the story behind such happenings.

"Minho Menkan went to play golf with friendly reporters of YOMIURI, MAINICHI, and NHK. There Saburo Kosaka was playing golf with some high ranking officials, and noticed the presence of the Menkan group. Having already had the information on the formation of the Takeshita faction, and noticing the Menkan group, Kosaka jumped to a conclusion that finally the Takeshita news was going to be published. After going home, Kosaka told a friendly reporter of unidentified newspaper: "The story comes out tomorrow." Confused by this news, the reporter started going around to confirm the story. At first, YOMIURI, MAINICHI, AND NHK really did not have any intention to report the

story. But in the end, they decided that they might as well report the story under the circumstances. Although everybody had a very good idea about the overall situation, not a line was printed in order to wait for further developments. At any rate, the Soseikai issue has been settled all in one step.

While this was going on, Takeshita's response was also premature. Assuming that the news about his recent political movements would be printed in the 28 January morning newspapers, Takeshita visited Meziro mansion at night on 27 January, and told Tanaka: "We would kind of like to form a study group..." Of course, Takeshita did not even give any hint that a carefully planned strategy was proceeding under the surface. This can also be interpreted as Takeshita perhaps trying to assess how much Tanaka was aware of the plans of the Takeshita faction.

Intimidating Phrase "Consult Supporting Group"

Tanaka, as a matter of fact, had heard something about the movement of Soseikai from his confidants and there is very little doubt that this information has really surfaced. Tanaka approached the issue rather casually thinking "that Takeshita is not likely to undertake any daring step." That night, after having some "Orudo Bar," Tanaka's favorite drink, Tanaka was in such a cheerful mood that he even gave advice to Takeshita: "If you want to do anything, think big. Today's boys don't study hard. It may be well for your group to form some kind of policy making organization." "And what about including some members from other political factions?"

Next morning after reading the newspaper articles on the Takeshita's Soseikai, key members of the Tanaka faction, Keiwa Okuda and Kosan Watabe, furiously jumped up and down. These two, not having been informed of the plans at this time, quickly ran over to the Meziro Mansion. Watabe was eventually to join Soseikai. At any rate, Tanaka in a way misled these two at least at this time by saying: "Takeshita came here yesterday and touched base with me on that subject. But the newspapers must have blown things out of proportion."

Tanaka stayed cool, but only through the morning. Tanaka began to realize that some of the important members of his faction, Shinto Esaki and Gen Tamura, are collecting the signatures, even the name of the party was picked, and a large number of people got together already. Tanaka turned into "an angry incarnate" by saying: "This is a conspiracy," "forming a faction within a faction!"

"Throughout our contemporary political history, no local political figure ever became prime minister." "After serving as a minister of finance, he must be feeling good." "Hegemony of the world should not be handed over to such a minor political figure!"

It has been said that there were all kinds of backfiring noise, but basically what Tanaka wanted to do was to crush Soseikai by stopping all of their activities and roll-back the situation to the pre-Soseikai state.

After receiving Tanaka's reaction, his confidants all at once started making phone calls briefing their members: "It is entirely up to you and feel free to join Soseikai. But we advise you to consult your support groups in your district."

Ono once said, "If a monkey falls from a tree, it is still a monkey. But if a politician falls from the political arena, he is nothing but an ordinary human being." For a Diet, election is his life, and the key members of the supporting group in his district, who work everyday for his election and support, are irreplaceable even by his own parents. For younger members of the Tanaka faction, in many cases the major officials of the support groups happen to be the loyal followers of Kakuei Tanaka. Some of them even admitted that "they were asked by their mentor, Tanaka, to support a Diet from the Tanaka faction."

In the final analysis, "Consult your supporting group" is rather an intimidating suggestion.

Just before the formation of Soseikai, it has been said that Tanaka himself grabbed the telephone receiver and intimidated the potential Soseikai members with his usual authoritative voice. So much so that the members remained in the hotel in order not to confront the old man's angry voice.

This kind of roll-back strategy must have worked somehow. Of the 83 who agreed to attend the founding meeting, about half of them could not come to the meeting, "due to other plans on that day."

"Vision of Takeshita as Prime Minister"

Since the formation of Soseikai by the Takeshita-Kanemaru group, the map of political power within the Tanaka faction ended with a big turnover.

The turnover did not take place in the direction Takeshita was anticipating.

One of the members (a 4th year Diet) who participated in the Soseikai explains as following.

"Formation of Soseikai by Takeshita was a failure. The reason is that the preparation was not thorough. Particularly, there were some problems with handling the news media. As far as dealing with Kaku Sang, it was good thing that Takeshita obtained his understanding before hand by fully explaining the party's intention. But when the news media started making noise, Takeshita ended up being pushed around without having a fair chance to explain the nature of his party. This raised anti-Takeshita feeling for those who did not have a good feeling about Takeshita to begin with. What really irked Tanaka is that this kind of shaky situation within his faction was not taken care of before the matter went out of control. No matter how you look at the situation, it is obvious that the Takeshita group has taken a great plunge."

Takeshita's Soseikai formation was such a failure that even some of the members who were close and friendly to Takeshita started having bad feelings.

Watabe Kanzo is one of those who heard of the news through the news media. When a reporter came for the story, with an honestly suspicious face, Watabe swept through his comments: "I could not think Takeshita Sang would take such an action. I feel as if hit by a hammer out of the blue sky. I can not help feeling like an outsider."

Councilman Saito, who acted as the mediator for Takeshita, was also treated like "an outsider" during party formation preparation stage. Saito was kept outside because he helped during the election of Moto Tamura who is close to Tanaka. For this reason, Saito was considered to be a potential source of leaks before the formation of the party. Some of Saito's close friends explain his feelings as follows.

"When Saito heard of Takeshita's move, he was extremely angry. Perhaps, Saito felt stabbed in the back considering that he was often consulted on this matter and rendered help when needed. Aside from concern about whether Saito would join the group or not, at least he should be kept posted before Takeshita had taken the first step." (In fact, later on Saito joined the group as an official.)

Norimoto Harada, former minister of transportation, was surely expected to join Soseikai, but at the last minute he changed his mind. The Takeshita faction was hoping to take advantage of Harada's strong voice to give a push at the meeting of the members with cabinet experience, scheduled to be held on 4 February. The schedule was postponed to 6 February, and Harada remained silent throughout the meeting.

Harada remained silent because the tenor of the meeting went against his views and beyond his imagination. Takeshita is known to have a keen eye for assessing the situation, and he felt certain that "Takeshita's launching was a failure." Thus Harada also became one of those who left Takeshita during the formation stage of Soseikai.

This trend did not stop with Harada. Originally, the applicants to Soseikai consisted of 44 council members and 39 lower house members, a total of 83. But when the cover was lifted at the founding meeting on the 7th, only 40 participated. (29 councilmen and 11 lower house members). The number decreased to just about one-half of the original. The ones dropped from the original applicants are: key officials of the lower house, Reichi Takeuchi, Noboru Kiwa, Tamiwa Wadanuki, along with Shosei Reichi and Moto Funeda.

One of the dropout group rationalizes the action as follows. While the movement was under the surface there was no real problem. Since the group was considered to be a pure study group, and also there was misunderstanding by Meziro, everybody signed the application without seriously thinking about what they were signing. As the information was spread, bit by bit, to the news media, all kinds of phone calls started to come in. There was no way that this group would remain a study group. The stories coming in started to prove to be different from those told by Takeshita and the founding members. Since I was against "creating a faction within the faction," I conveyed the message that I would not participate in the new group's formation,

and requested the application be returned to me. Of course, the responsibility lies on the side who signed the application without serious due consideration, but the responsibility also lies in Takeshita and other founding members. Others among the 42 might very well have resigned for reasons other than described above. But I would not be surprised if many of them, indeed, signed the application by accepting the statement of the founding members at face value."

Friendly Members Also Take Critical Attitude

The real question is whether Takeshita's move at this time was a plus to this line-up. A political desk close to Takeshita analyzes the situation as follows:

"There is no question that by taking this step at this time Takeshita imposed a big handicap on Meziro. Meziro has been making it known 'that there are many contenders in his faction for the next administration.' The candidates whom Meziro was counting on were: Nikaido, Gofuzida, Genri Yamashita and also Takeshita. Meziro was hoping these people would work together in friendly competition so that they can take over the political power. Up to this time, he himself was going to expand the Tanaka faction so that the strongest among the group would be able to have a hold on it. Because of this line of reasoning, Meziro has been nervously keeping a keen eye on these four, paying attention to every move they make. Yamashita was taken out of the nerve center by Meziro and taught a lesson: 'If you want to be a leader, do not make thoughtless movements in the political arena.' It was meant to teach a lesson to Yamashita, as a warning not to move carelessly. Meziro believes that the move Takeshita made at this time is much more irresponsible than that of Nikaido getting on the bandwagon of Komeito and Minsha. Thus, the reputation of Takeshita fell badly. Meziro is most likely to teach Takeshita another lesson. Kanemaru is backing up Takeshita. Kaku Sang was very happy because he felt that he now has a valid reason for suppressing Kanemaru who, only in recent years, has gained some political power. Takeshita is often told by Kakuei 'You better act like a heavy weight for a while.' As a result, there was a time when Takeshita was keeping a very low profile. At that time, in Kaku Sang's mind there was probably a mellow feeling, but this time it will not be that sweet. Whether the whole incident can be straightened out by simple disciplinary measures is a good question. Takeshita's aspiration as a successor to the Tanaka faction has been pretty much wiped out." In the final analysis, the outcome will be more negative than positive.

Aside from the difficulties of handling the founding of Soseikai, there is some apprehension as to whether Takeshita really has the capability to manage the party. One member who is close to Takeshita explains as follows:

"Takeshita Sang strongly feels: 'I am closer to Tanaka than Nikaido.' He has also been feeling somewhat nervous ever since the election of the chairman of LDP because the supporting operations for Nikaido staged by the three factions, Fukuda, Suzuki, and Kawamoto, have come on strong. This was really instigated by a group of the younger members with 4-5 time election records.

These younger members did not feel comfortable with the special treatment provided for Gofuzida because he belongs to the same seniority category as far as house experience is concerned. And it backfired in the form of bringing Takeshita down. But what they did not want to accept is the fact that Gofuzida has much experience in the cabinet as well as in the legislature. At this juncture, the supporting operation for Nikaido is likely to deprive them of the chance to show off their political power. Thus, if Takeshita is provoked, it may very well bring about changes in the power structure inside the Tanaka faction. But watching Takeshita's move from the beginning in preparation and execution of the Soseikai formation, they felt quite uncomfortable. Takeshita lacks determination and is not settled. Nikaido faced difficult situations with cool during the election of the chairman. On important occasions, Nikaido dared to visit Meziro all alone and tried to have a man to man talk with the "general" (Kakuei). Although Nikaido failed in the end, his relationship with the "general" must have been restored considering the fact that the "general" asked Nikaido to straighten out the problems inside the party. On the other hand, Takeshita asked Ryutaro Hashimoto and Matazo Kaziki as "assistants" for the 14 February Meziro occasion. Perhaps, it was based on a charitable judgment that not asking a large group would avoid suspicion. If that is the case, the future does not look so promising. The original 83 was supposed to get together at the meeting, but the number was cut to 40. The formative meeting was opened by a minor figure from the Tanaka faction, Somotoyama. If this is the end result, it might have been better to proceed without creating any commotion. According to an old saying, 'To start a rebellion on level land is poor military strategy.' If this kind of poor strategy is all that Takeshita can think of, Takeshita's capability as a leader should be questioned." In the final analysis, this member showed a critical attitude. As far as Takeshita is concerned, he really is not in a position to step back at this stage of the game even if his capability is seriously questioned. Kakuei Tanaka is suspected to be taking the formation of Soseikai as an insurrection against him.

Strict Discipline Behind "Solidarity of Steel"

Tanaka made Nikaido chairman of the Thursday Club to mediate internal problems after the formation of Soseikai. There seem to be two meanings behind appointing Nikaido to this post. First, this is Tanaka's way of imposing severe disciplinary action on Nikaido, suggesting that he restore some of the points he lost during the election of the chairman of the LDP. Second is that Tanaka is trying to put the power of the two potential successors together.

Within the Tanaka faction, there is a strict discipline unknown to other factions, even for the same LDP members. In the case of the Suzuki faction, for instance, the late Rokusuke Tanaka bad mouthed his boss, Kiichi Miyazawa, but nothing could be done about it. This will never happen with the Tanaka faction. This is why the Tanaka faction has been nicknamed "Tanaka Army Corp." Behind "solidarity of steel" there is "discipline."

It will be interesting to see what kind of revenge strategy Tanaka is cooking up against Takeshita, and also to see how Takeshita will handle such revenge

and stand out from the so-called new leaders who are not really much competition.

One unidentified newspaper desk analyzes the situation as follows:

"Tanaka placed Nikaido in a mediating role, but it is only on the surface. Under the surface is the real story. This is a sign he is trying to put down Takeshita's Soseikai systematically. The brain for this strategy is Masaharu Gofuzida. Gofuzida and Tanaka are meeting frequently. The subject matter for these meetings is allegedly organizing the approach of putting down the Soseikai. Three methods come to mind. First, apply pressure on the coup d'etat leaders and stop the activities of the group, and make the group a nominal entity. Keizo Kobuchi, Maki Haneda, Shizuroku Kaziyama feel uneasy for fear of possible exclusion from the Tanaka faction. After excluding these characters, the next move would be tightening up on the younger members. Second, shut out the participants in the Soseikai at the election time. Kakuei is strongly pushing toward a July election. To accomplish this, Kakuei is trying to extend this session of the house by holding on to the difficult issue of amending the budget. Keep Kanemaru, the power base of Takeshita, busy with this issue to prevent criticism of the Kanemaru staff. On the other hand, raise the discord in the cabinet through Gofuzida, director of administration. So much so that the Nakasone Cabinet will reach a point of dissolution. Third, organize another political study group to be headed by Nikaido to counteract Takeshita's Soseikai."

Emotionless "Use of Delicate Election"

The first approach has been implemented. Pressure is being applied to the officials of Soseikai. Tanaka's approach is not to attack the officials directly, but to work through powerful members of the support group in respective districts. This kind of contact was believed to have been taking place even before the formation of Soseikai.

One of the officials of Soseikai clarifies: "Telephone calls known to be from the Kaku Sang followers are made frequently to the officials of the election districts. 'Whereas Kaku Sang went through a lot of trouble for him, he answers such a favor with retaliation' or 'If there is too much factional activity, there is not going to be any return for him' are the typical phone calls." As the Tanaka-Gofuzida meeting keeps progressing, there are bound to be victims.

The second approach also seems to be taking place but in the dark.

A typical example is the case of the councilman, Ruynan Yamasaki. The day before the formation of Soseikai, Yamasaki announced switching to the Tanaka faction from Nakasone's Hirokaze Club. Yamasaki's election district is Aomori Chiho Ku, which is the operating base of the councilman, Kanpei Matsuo. Although there may be some variance at the time of election, this kind of influence is almost absolute to all of the local representatives; representatives of prefecture, city, and village. The pressure is so realistic that these people would not dare to go to sleep for fear their head would be cut

off while sleeping. Matsuo's situation is almost tragic because this election is only the second time around for him and his base has not yet been solidified. The predicament is not limited to the younger members. Takuro Ashitachi, an elder in the Soseikai and former minister of agriculture, is an example to whom the "devil's hand" is reaching out. Hiroshi Kumagai of the 3rd District of Shizuoka had been elected as a conservative independent. Suddenly, on 12 February, Kumagai decided to join the Tanaka faction.

Next, the 2nd district of Nagasaki. A new candidate from Takeshita faction was to be the candidate in this district. This was the power base of the late Zingichi Shirahama, former postmaster. The new candidate was following Shirhama's power course, and winning of the election was almost guaranteed. All of a sudden, on 8 February, Shirahama's son decided to run. There are five or six places of potential confusion of this nature, for instance, Shimane local district for the council.

Tanaka's election tactics are well known, but he has also been skillfully using the election to sustain his dictatorial power within his party. For example, setting up a younger candidate in the power base of the enemy candidate (dispatching a powerful figure) to confuse the voters. Osamu Inoha, minister of justice at the time of the Lockheed inquiries, subsequently lost the election. This tactic has been used mercilessly even to his own members if they get repulsive.

The best known example is the case of Eiichi Nishimura. Nishimura did not like the idea of Akiko Sato, who was queen of the Eyama Kai, had reported a desire to eliminate Nishimura to Tanaka. As a result, Tanaka set up a new powerful candidate in that district (Noboru Harada, former director of construction, Kyushu District, Department of Construction) and Nishimura ended up losing the election. About half of Soseikai members are young members having one or two time election records (one time; members of the Lower House: Noroda Hosei, Ozo Hirabayashi, Fukuziro Kakaya, Seiji Nakamura, Totsuka Shinya, Tai Shiozima, Wahei Natsumoto; Members of the Council: Ko Itoue, Yutaka Okano, Tetsuro Shimura, Isao Matsuura. Second time members; members of the Lower House: Riichiro Chikaoka, Hiromu Nonaka. Members of the Council: Yo Tofuzi, Akiko Santo, Taro Nakamura, Masao Horikawa, Koji Masuoka, Kanpei Matsuo). Thus there are many power bases that are easy targets for Tanaka's attack.

Third, a new policy study group was formed headed by Nikaido. Nikaido is in the process of preparing for the right posture for some unknown move for the July election by assuming a mediating role and assembling talents for the party.

There is a good probability that the Kanemaru-Takeshita group will hit the roof under this kind of direct pressure from Tanaka's side. From the initial list of 83, 43 dropped out because of possible embarrassment. Tanaka has this list, and there is a good possibility that these 43 will switch from Takeshita to Tanaka. There are some who believe that of the remaining 40, few members have already started to feel restless.

If the Soseikai becomes weaker in the future, it is almost certain that Takeshita will drop behind the so-called new leaders. Even their political carrer is at stake and it is no time to feel complaisant. In the final analysis, there is no doubt that Takeshita has been taken out of Tanaka's real list of potential successors.

If the Soseikai becomes weaker in the future, it is almost certain that Takeshita will drop behind the so-called new leaders. Even their political career is at stake and it is no time to feel complaisant. In the final analysis, there is no doubt that Takeshita has been out of Tanaka's real list of potential successors.

Successor in Tanaka Faction Is Genri Yamashita

In the middle between Nikaido's activities and Takeshita's insurrection, the most visible figure in the Tanaka faction as a Tanaka successor is Masaharu Gofujida.

Gofujida has a short history as the member of the house but emerged as Tanaka's brain child. His sharp mind, however, at times becomes the source of problems. The fact that Gofujida induced dissatisfaction among the younger members during the party formation proves that he lacks leadership.

Gofujida may be too close to Tanaka, and for this reason other factions might be keeping some distance from him. Perhaps, the most serious shortcoming is the difficulty Gofujida is experiencing with fundraising.

"Gofujida is a kind of cutting tool. His fund transfer pipe is small. As a leader of the Jiminto faction, Gofujida should be able to put together several hundreds of million yen in one day. This is one area where Takeshita has done his homework. While Takeshita was a minister of finance, he laid down a network of funding pipelines. Of course, Gofujida has extensive experience in the cabinet but his pipeline is not open," (according to a key member of the Tanaka faction).

Based on these observations, "Gofujida is a more useful tool as a staff member" (same source as above) and not suitable as a top man. This is the general tendency at present in evaluating Gofujida.

Next is Nikaido. It is not unreasonable to think that Nikaido could be considered as a candidate for a figure head chairman by the Tanaka faction. An unidentified political journalist familiar with the inside details of the Tanaka faction explains. "Nikaido might have had a future as a candidate for chairman, but most likely before the Soseikai was crushed. We can conceive of the possible maneuver they might have taken by considering Gofujida as a candidate as a means of suppressing Takeshita. During the Jiminto chairman election, the Tanaka faction played a partial role along with the three factions, Suzuki, Fukuda, and Kawamoto. In this manner, the Tanaka faction was cashing in on other factions' power. Then the real question is how other factions would respond to Tanaka's idea of figure head chairman. On top of this, if Minsha and Komei are brought into the picture, the situation becomes difficult. The Tanaka faction's thinking is that winning the election is the prerogative for their candidate. Then the question is 'What about Nikaido?' Nikaido would be a good chairman who would function well with Tanaka as his backup rather than as a successor."

Also, Nikaido is 75 years old now, and a bit too old to be successor to Tanaka.

"Among the Tanaka faction, excluding Takeshita, the one who has the capability to succeed Tanaka and become a new leader and using the political power achieved so far by the Tanaka faction, and winning the election is Genri Yamashita." This is the comment made by an old timer who is close to Tanaka.

According to him, Tanaka has in his mind "Yamashita as his successor."

"Kaku Sang has taken Yamashita out of the inner circle because Yamashita at one time was too outspoken. Yamashita was really a favorite child of Kaku Sang. Kaku Sang pulled Yamashita out of the Ministry of Finance and gave him the power base of Jiro Taiko so that Yamashita could comfortably run for election. But after becoming the minister of transportation, Yamashita stayed aloof even from his fellow cabinet members. Kaku Sang really wanted to teach Yamashita the imperial way of doing things. Asking Nikaido to assume a mediating role for the Takeshita faction or to form a separate policy study group was Tanaka's way of setting the stage so that he can sit back and wait for the fall of both Takeshita and Nikaido. Kaku Sang all along has been asking Yamashita to form a policy study group, and this is considered to be a serious suggestion made by Tanaka. Among the elders, appointment of Yamashita as Tanaka's successor is said to be confirmed. The news media actually scans mostly what is visible on the surface, talking about Takeshita, Nikaido, and Gofujida, but it is highly unlikely that Kaku Sang, who is responsible and careful, would show any sign of what is really in his mind as to his successor. Kaku Sang is particularly careful when it comes to the issue of his successor."

Cultivated Funding Route During Disciplinary Period

Yamashita has disappeared from the spotlight of the political stage, but during this time he has been laying down the funding pipeline network. The promoter was Gimei Tsutsumi of the Nishitake Railroad Group.

There are two reasons why Genri Yamashita was kept away from Tanaka. First, 7 years ago Yamashita set up an office near Nagada Machi, an impressive setting as if trying to show off his strong funding pipeline. A reception to open the office was also on a grand scale, attended by most of the financial heavy weights. Yamashita inadvertently slipped during the party: "This is good enough to be used after becoming prime minister."

When Kakuei overheard this conversation, he got really angry. At that time the idea of generation shift started to surface only sporadically, and Kakuei took it as an unforgiveable slip.

In front of Kakuei, "chairman" and "prime minister" are forbidden words. Particularly puzzling is, though, the term "new leader." This expression is still used.

Kakuei grumbled to his close friends about Takeshita being called the new leader: "I am 66 and Takeshita is 61. When I was in the 6th grade, he was

in the 1st grade. Whereas we were in the grade school at the same time, how can he be called a new generation? The news media talks about generation shift and new leader. But what is wrong with my being called the new leader instead of Takeshita?

It looks as if there is no room in Kakuei's head to think about such things as "generation shift."

Going back to the original story, after this incident Yamashita was placed in a probationary status. This really was meant to convey the message: "Ten years too early. Keep working hard."

The second reason is that during the first trial of the Lockheed case, Yamashita was put on the witness stand as the Natsumoto alibi witness. But under severe probing by the prosecuting attorney, Yamashita fell apart.

Tanaka used Yamashita as a witness knowing that his career depended on this Lockheed trial. Yamashita, nevertheless, failed to perform the function of "key witness."

After these two incidents, Yamashita's name disappeared from the list of new leaders.

In hindsight, this perhaps was a good thing for Yamashita. During this period, he had a chance to thoroughly devote his time in learning to read "politics" and cultivate the "funding route."

"Power Map" Changes by the Minute

An evening news reporter who probed the appearance of Gimei Tsutsumi in the political arena by writing an article "Baby's Scoop," which swept through the news media, explains as follows.

"It is true that Gimei was seriously planning to appear in the political arena. He planned to run in the Sakigyoku District, and as soon as he was elected he planned to pull out tens of Tanaka faction members and form a new faction. Most prominent contender for the leading position for this faction was Yamashita. In the final analysis, this was a story started as hearsay and buried before any action was taken. The reason is that Kaku Sang heard of this plan and persuaded Tsutsumi before any action was taken not to pursue his plans. It is said that at that time Kakuei conveyed the real meaning: 'Yamashita is the real successor. I would like to groom him to become a big figure.' Then Tsutsumi was persuaded and retreated. After that, evidently, Kaku Sang treated Yamashita as if he was, indeed, the real successor. Now it makes sense that Kaku Sang suggested Yamashita to form a policy study group meaning that it is about the time for Yamashita to start making a move. It is suspected that Kaku Sang is actively helping the formation of the policy study group for Yamashita."

Unlike Gofujida, Yamashita carries strong credibility inside the faction.

Some of the younger members believe "that if Takeshita is completely crushed, Yamashita will immediately surface" backing up the opinion of the evening news reporter, discussed earlier.

"The internal direction of Jiminto depends on how well they pull together with other parties, particularly with opposition parties. In order to get together with other parties, it will be important to read accurately their intentions and moves. In the case of Takeshita, not only did he collide with some of his own people but also he was stepped on by Abe, one of the new leaders. While Abe welcomed the formation of Soseikai as the catalyst for accelerating the generation shift process, he also was aware that the Tanaka faction was not going to give in to Takeshita. Thus Abe concluded that without borrowing the Kawamoto faction's power, winning election to the chairman's position is not feasible. If that is the case, Abe thought he had the advantage of being known to the Kawamoto faction, and therefore, he was in an advantageous position for the election. This is how Abe read the political climate. Takeshita, on the other hand, jumped around without reading the political climate which resulted in his failure.

Yamashita carefully read the political climate this time and requested influential members "to wait a while." If Yamashita can be compared to Hideyoshi Toyotomi, Takeshita is more the Ieyasu Tokugawa type. About the time when this movement comes to a conclusion, Yamashita will appear as a sharp brilliant successor to Tanaka, passing over all other candidates," (according to an elder member of the Tanaka faction) "Soseikai upheaval" has just begun, but the power map of the Tanaka faction changes minute by minute.

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ABE, HONDURAN FOREIGN MINISTER DISCUSS CONTADORA

OW050305 Tokyo KYODO in English 0257 GMT 5 Jun 85

[Text] Tokyo, 5 Jun (KYODO)--Honduran Foreign Minister Edgardo Paz Barnica emphasized here Wednesday his country's commitment to democracy and expressed support for the Contadora Group's peace initiatives. Paz made the remarks in a meeting with Foreign Minister Shintaro Abe who a ministry official said voiced concern over the volatile Central American situation and called for a "comprehensive solution" to the conflict.

As in his talks Monday with Colombian Foreign Minister Augusto Ramirez Ocampo, Abe told the Honduran minister that Japan also backs central peace efforts by the Contadora Group of Colombia, Mexico, Panama and Venezuela.

Paz was quoted by Japanese officials as declaring his country's resolve to "strengthen democracy" through the presidential election in November. Honduras returned to civilian government in 1982 after 10 years of military rule.

Paz noted that Honduran President Roberto Suazo Cordova won renewed American commitments on security and economic cooperation in a recent meeting with President Ronald Reagan. He also expressed his country's appreciation for 9.6 billion yen in credits from Japan for nationwide road and agricultural development projects, Japanese Foreign Ministry officials said. They said the two countries would exchange notes on the loans shortly.

Paz is currently in Japan at the invitation of a leading Japanese coffee company. Coffee accounts for 65 percent of Honduras' total exports to Japan, which are worth some \$50 million.

CSO: 4100/590

POLITICAL AND SOCIOLOGICAL

NAKASONE DENIES BARGAINING OVER SHIPPING FIRM

OW150507 Tokyo KYODO in English 0430 GMT 15 Jun 85

[Text] Tokyo, 15 Jun (KYODO)--Prime Minister Yasuhiro Nakasone Saturday denied any political bargaining over rescue efforts to bail the deficit-ridden Sanko Steamship Co out of its financial difficulties.

Sanko, one of the world's largest tanker operators, is owned by Nakasone's main political rival, State Minister Toshio Komoto. It ran into a long shipping slump following the oil crisis and suffered a cumulative debt of 168.2 billion yen as of last March.

Nakasone, replying to a Socialist questioner at the day's session of the House of Councillors' audit committee, said the government would remain fair.

Kesajiro Meguro, the Socialist, charged that political interventions in Sanko's rescue efforts were an open secret, accusing the prime minister of trying to gain Komoto's favor. Nakasone said there was no need to win favor from Komoto and his followers and that Sanko's rescue efforts have nothing to do with factional power struggles within his Liberal-Democratic Party.

Transport Minister Tokuo Yamashita, a member of Komoto's faction, told the same session the government had no idea at present of taking rescue action to save the shipping company.

Komoto and Yamashita met the president of Tokai Bank, Ryuichi Kato, on 15 May and asked the banker to extend massive loans to Sanko Steamship. Komoto's attendance at the meeting sparked speculation about horse-trading over Sanko rescue efforts.

Komoto was Nakasone's chief rival in the LDP leadership election in 1982. Nakasone won the race to take over the party presidency which carries with it the post of prime minister because of the party's majority in the two houses of the Diet.

CSO: 4100/590

POLITICAL AND SOCIOLOGICAL

BRITISH OFFICIAL GIVES ASSESSMENT OF GORBACHEV

OW181305 Tokyo KYODO in English 1223 GMT 18 Jun 85

[Text] Tokyo, 18 Jun (KYODO)--The new Soviet leadership under Mikhail Gorbachev is the same "in substance" as his predecessors despite their different styles, a senior British official said Tuesday. The assessment of the new Soviet leader by Sir Anthony Acland, a permanent undersecretary in the British Foreign Ministry, was snared by Japanese Vice Foreign Minister Kensuke Yanagiya.

Acland and Yanagiya met for over 2 hours to review Anglo-Japanese relations, Asian, Mideast and East-West developments and European cooperation, a Japanese official said.

Yanagiya said Japan is not pessimistic about developments in the Philippines, the Southeast Asian country confronted with financial difficulties and political instability, the official told reporters. The Japanese vice foreign minister did not give the reason for his optimism about the Philippines situation.

Acland emphasized Britain's strong resolve to strengthen ties with other West European countries by promoting, for example, industrial cooperation. The British undersecretary admitted there were difficulties which made it hard for Western Europe to reach a consensus on any given issue. He said it takes "2 to 3 years" for Western Europe to settle any outstanding problem, according to the Japanese Foreign Ministry official.

Yanagiya, commenting on the Iran-Iraq conflict, said Japan has limited its role to maintaining dialogue with the two warring countries and is not mediating in the war, the official said.

The controversy over the second Bosphorus Bridge project in Turkey did not emerge in the formal Acland-Yanagiya meeting, although Yanagiya in a private chat with Acland suggested that a misunderstanding was partly responsible for the dispute.

Yanagiya also dismissed British charges that Japan had unfairly won the contract by pledging yen credits for the project, according to a Japanese Foreign Ministry source. The controversy arose from a Japanese-Turkish-Italian consortium's success in winning the \$551 million contract against a British-led bid. It resulted in an exchange of letters between Prime Ministers Margaret Thatcher and Yasuhiro Nakasone.

Acland arrived in Tokyo Saturday after visiting Hong Kong, Shanghai and Beijing. He will leave Wednesday for Seoul.

CSO: 4100/590

POLITICAL AND SOCIOLOGICAL

BRIEFS

OPPOSITION PROTESTS ANTIESPIONAGE BILL--Tokyo, 11 Jun (KYODO)--Opposition parties and leftist organizations agreed Tuesday to start a nationwide protest movement against the anti-espionage bill submitted by the ruling Liberal-Democratic Party (LDP) to the Lower House last week. While Japan Socialist Party (JSP) Chairman Masashi Ishibashi said the bill signals a return to prewar days, Takeshi Kurokawa, leader of Japan's largest labor organization Sohyo, denounced the LDP's action as running counter to the postwar peace constitution. They were addressing a meeting organized jointly by the JSP and Sohyo, the General Council of Trade Unions of Japan. If the bill becomes law, those convicted of providing state secrets to other countries to the detriment of Japan's national security could face execution or life imprisonment. At present, Japan has no anti-espionage laws. Representatives of Komeito, the second largest opposition party, and the United Social Democratic Party also attended the meeting and expressed their objections to the bill. The meeting ended by passing a resolution rejecting the bill as a "challenge to democracy." [Text] [Tokyo KYODO in English 0829 GMT 11 Jun 85]

MAGASALO GOVERNOR PLANS VISITS--Nagasaki, 15 Jun (KYODO)--The governor of Nagasaki Prefecture, Isamu Takada, said Saturday he would visit both North and South Korea to seek their participation in sports and cultural interchanges among nations along the East China Sea and Yellow Sea. Takada told a news conference he plans to visit both Koreas in the fall with the approval of the Nagasaki Prefectural Assembly. His trip to North Korea was made possible with the help of Chinese Communist Party leader Hu Yaobang, who gave support to his idea of interchanges among Japan, China and both South and North Korea. The governor said he would organize a delegation comprising representatives of all political parties. The mission is scheduled to visit North Korea in late August and South Korea in early September. Takada visited Beijing earlier this week to thank China for opening a consulate-general in Nagasaki. [Text] [Tokyo KYODO in English 1044 GMT 15 Jun 85]

NAKASONE DEFENDS ANTIESPIONAGE LAW--Tokyo, 15 Jun (KYODO)--Prime Minister Yasuhiro Nakasone Saturday defended plans to introduce a new law against espionage activities, while acknowledging the need for prudence in such legislation. The prime minister told the House of Councillors audit

committee Japan deserves its reputation as a "heaven for spies," and the time has come to take action. Defending the presentation of antispy legislation to the Diet by the ruling Liberal-Democratic Party (LDP) early this month, he said the existing public service law is not effective enough in preventing state secrets from being leaked. However, the bill should be carefully studied so as to strike a balance between the people's fundamental rights, including the right to know, and the Diet's right to investigate affairs of state, he said. Freedom of the press is especially vital in a democratic society, and should be adequately respected, Nakasone said. The prime minister made the remarks in reply to questions raised by Socialist and Communist Dietmen in the meeting. [Text] [Tokyo KYODO in English 0726 GMT 15 Jun 85]

KOREAN RED CROSS TALKS--Tokyo, 31 May (KYODO)--Foreign Minister Shintaro Abe, in reference to the two days of inter-Korean Red Cross talks in Seoul earlier this week, said Friday that both North and South Korea had demonstrated their intentions "more strongly than ever before" of promoting dialogue between them after being separated for 40 years. The Red Cross negotiations, the first full session in 12 years, went "smoothly," Abe told reporters. North and South Korea agreed in principle on a family reunion program and exchange of visits by folk dance and music troupes during the negotiations held Tuesday and Wednesday. The Red Cross talks may be a step toward an expanded inter-Korean dialogue in the political and economic fields, Abe said, adding that whether the dialogue will progress further depends on the fate of Pyongyang-proposed negotiations among parliamentarians both from the North and South. But he said it is still too early to predict if the Red Cross negotiations will open the way for North Korea's participation in the 1988 Summer Olympics in Seoul. North and South Korean Red Cross officials are scheduled to meet again in Pyongyang in August. [Text] [Tokyo KYODO in English 0302 GMT 31 May 85 SK]

PRC-JCP RELATIONS--Beijing, 28 May (KYODO)--A Chinese official said Tuesday three representatives of a group closely associated with the Japan Communist Party (JCP) will visit China next month to attend a peace forum, a visit regarded as a further indication of rapprochement between the JCP and the Chinese Communist Party. There have been no official relations between the two communist parties for almost two decades because of ideological differences. He Xi, a spokesman for the Association for International Understanding, told reporters the Chinese group sponsoring the peace forum extends a "heart-felt welcome" to three representatives of the Japan Council Against Atomic and Hydrogen Bombs (Gensuikyo). They are among nine Japanese representatives from six peace organizations taking part in the meeting scheduled for June 4-6. In all, more than 60 delegates from about 20 countries have been invited to the peace forum, according to the spokesman. He said the Chinese Communist Party has a desire to improve ties with JCP, adding: "We welcome the Gensuikyo delegation." China plans to send a mission to this year's world convention against atomic and hydrogen bombs in Japan if invited by Gensuikyo, the spokesman said. The remark followed suggestions by Chinese leaders that they are ready to mend fences with the Japanese communists to end the estrangement which has continued since the late 1960s. [Text] [Tokyo KYODO in English 0816 GMT 28 May 85 SK]

11 July 1985

ANTIAIRPORT RALLY IN NARITA--Narita, Chiba Pref, 26 May (KYODO)--Farmers and radical leftists held an outdoor rally Sunday to oppose construction of new facilities at the new Tokyo International Airport at Narita. Organizers said 12,000 people attended the gathering at a park at Narita. But police said 3,500 people took part. The rally took place against a background of reports that the new Tokyo International Airport Authority has earmarked 2.2 billion yen to prepare for the start of the second phase of airport construction. Antiairport farmers said they will protect their farmland. Participants demonstrated around the park after the rally. But there was no incident. Soem 7,000 riot police were mobilized to keep order. The airport was closed to visitors. [Text] [Tokyo KYODO in English 1052 GMT 26 May 85 SK]

'NO DANGER' OF DPRK INVADING ROK--Pyongyang, 24 May (KYODO)--A visiting Japan Socialist Party (JSP) leader Friday underwrote North Korean President Kim Il-song's statement that the communist country has no "intentions or power" to invade South Korea across the 38th parallel. In a dinner speech to North Korean Communist Party officials, JSP Secretary General Makoto Tanabe said a trip to the neutral village of Panmunjom earlier in the day helped him well understand President Kim's statement denying the possibility of a North Korean incursion into the southern half of the Korean peninsula. "What is needed is reunification of Korea without external interference," Tanabe said. He is here as leader of an eight-member JSP delegation at the invitation of the Pyongyang government. Tanabe hosted the dinner for North Korean workers and party officials, including Politburo member Ho Tam, who told the meeting the Korean and Japanese parties affirmed they have views in common on all problems they discussed. JSP and North Korean party officials are scheduled to have their final round of talks Saturday before the Japanese delegation leaves for Beijing later in the day after a five-day stay in Pyongyang. [Text] [Tokyo KYODO in English 0220 GMT 25 May 85 SK]

CSO: 4100/554

MILITARY

PRAVDA ON U.S.-JAPAN MILITARY TECHNOLOGY SHARING

OW020616 Tokyo KYODO in English 0603 GMT 2 Jun 85

[Text] Moscow, 2 Jun (KYODO)--The Soviet Communist Party paper PRAVDA has warned against increasing Japan-U.S. military technology cooperation and said such cooperation, which it said is Prime Minister Yasuhiro Nakasone's policy, will not be conducive to easing tension in the Far East.

The PRAVDA article Saturday was apparently referring to 2 days of Japan-U.S. military equipment talks which ended in Tokyo Tuesday in which the United States showed keen interest in 11 Japanese high technologies.

It said Japan under Prime Minister Nakasone's leadership is not only cooperating with the United States in its military program but also is increasing investment in military research and development.

"This is the Nakasone government's policy. Cooperation in the U.S. military program will not contribute to easing tension in the Far East," PRAVDA said.

It said Nippon Telegraph and Telephone Corp's laser and optical fiber research will be the basis for developing a new missile-guided system.

Mitsubishi Heavy Industries, Ltd., it said, has started experimenting on completely robot-controlled tanks and radar-evading materials developed by TDK Corp which can be used for a new strategic bomber the U.S. is trying to develop.

Japan is superior to the United States in these fields, PRAVDA added.

CSO: 4100/592

MILITARY

OKINAWA TIMES AIRS DOUBTS ABOUT HELO LANDINGS

OW030544 Naha OKINAWA TIMES in Japanese 3 Jun 85 Morning Edition p 17

[Text] The two U.S. Navy helicopters which landed forcibly at Ishigaki Airport on the morning of 1 June have been identified from their aircraft numbers as the same CH53-E helicopters which landed at Miyako Airport on 30 March and 18 May. These landings took place on Saturdays, and that this was a coincidence is hardly believable. Since some go so far as to point out that the U.S. military may regard both Miyako and Ishigaki Airports as refueling points for flights between Kadena Airbase and the Philippines, the prefectural government, as the organization in charge of the airports, is likely to be pressed to cope with this problem.

The two CH53-E's were on their way to the Philippines from Kadena Airbase when they landed at Miyako Airport on 30 March. On 18 May, two CH53-E's landed at this same airport on their way to Kadena airbase from the Philippines. Further, on 1 June, two CH53-E's landed at Ishigaki Airport on their way to the Philippines from Kadena Airbase.

These three cases had the following common factors: 1) The helicopters were the same CH53-E's with identification numbers "21" and "22" respectively; 2) each of the landings took place on Saturday; 3) the purpose of the landings was for refueling; and 4) they were flying between Kadena Airbase and the Philippines. Considering these factors, it is hardly believable that these landings were "coincidental emergency landings."

Landings at Miyako Airport by U.S. military aircraft have increased since 1981. At that time, the propriety of U.S. military aircraft landings at the third class civil airport administered by the prefecture was questioned.

However, at the June prefectural assembly session the same year, Governor Nishime expressed his view approving these landings. He said, "Refueling comes under the category of an emergency." The prefectural government could have told the Naha Defense Facilities Administration Bureau to pay the usage and landing fees in accordance with provisions of the prefectural

airport control regulations, but withheld this request, on the grounds that the landings had been emergency cases. But we doubt that they could appropriately be called emergency landings.

The CH53-E is a long-range helicopter, but a short-range military aircraft. When an AV-10 Bronco landed at Miyako Airport several times in 1981, the public affairs office at Kadena Airbase said, "Ordinarily, it is difficult for this type of aircraft to fly non-stop to the Philippines from Kadena. So, as a safety measure, the aircraft landed at Miyako Airport for refueling." The same reason may be applied to the CH53-E's case.

It may be said that both Miyako and Ishigaki airports are now being used by the U.S. military as convenient refueling points.

CSO: 4100/592

MILITARY

JSP NOT TO CHANGE DEFENSE SPENDING CEILING

OW171215 Tokyo KYODO in English 1115 GMT 17 Jun 85

[Text] Atami, Shizuoka Pref., 17 Jul (KYODO)—The Japan Socialist Party (JSP) will maintain that Japan's defense spending should be kept within the current limit of 1 percent of the nation's gross national product (GNP) as a central plank of party policy, JSP Chairman Masashi Ishibashi said Monday.

JSP, the largest opposition party, will try to bring about a change of government by rallying a popular movement to keep the defense budget limit and against a plan to introduce large-scale indirect taxes, Ishibashi said. He made the remarks in a meeting of secretaries general of JSP prefectural chapters, which began Monday.

The JSP will form a special project team within the party to prepare for its campaign on the defense budget to cope with major matters such as decisions on pay raises for defense personnel and public sector employees.

Under a government decision in 1976, Japan has been pegging its defense budget below 1 percent of GNP, but the percentage has been gradually increasing and reached 0.99 in fiscal 1984.

The 2-day JSP meeting was held to discuss a new party policy draft which declares that the party rejects the socialism of the Soviet Union and its East European allies. The new policy, written by a committee and made public last Tuesday, characterizes the JSP as a national party based on various sectors of society instead of a "class party" formed chiefly by workers.

After the meeting, the draft will come under discussion among party members across the country and will be submitted to a party Central Committee session in mid-September, party sources said.

A final decision on it will be taken in a party congress in December, they said.

CSO: 4100/592

MILITARY

BRIEFS

U.S. SENATE URGING DEFENSE BUILDUP--Tokyo, 12 Jun (KYODO)--A top government official said Wednesday that a resolution passed by the U.S. Senate calling for a greater defense buildup by Japan arose from Japan-U.S. trade friction. The official said the U.S. Congress ought not to be so excitable as to pass such a resolution. He also feared that it would not be favorable for Japan-U.S. relations if the Japanese people took the U.S. resolution as intervening in Japanese internal affairs. The Senate passed the resolution Tuesday by an overwhelming majority vote of 88-7, pressing Japan to revise its basic defense policy to shoulder more of its own defense responsibilities. [Text] [Tokyo KYODO in English 1247 GMT 12 Jun 85]

CSO: 4100/592

ECONOMIC

JAPAN, U.S. END TALKS ON LUMBER MARKET 14 MAY

OW141029 Tokyo KYODO in English 1015 GMT 14 May 85

[Text] Tokyo, 14 May (KYODO)--Japan and the United States Tuesday ended two days of discussions in Tokyo on an American call for more liberal access to the Japanese market for foreign lumber products after agreeing to set up two working groups to deal with specific issues, Japanese officials said.

They said that one of the two groups will deal with issues pertaining to the proposed revision of the Japanese agriculture and forestry standards (JAS) and the Japanese industrial standards (JIS) so that plywoods conforming to American and Canadian standards can be used in Japan.

The other group will take up such issues as distribution--including the streamlining of sales systems--recession and cartels to cope with rationalization programs.

The United States is expected to press Japan on improvement in the non-tariff area involving standards and distribution since it regards such barriers as major hindrances to free access.

The two countries will negotiate through diplomatic channels on the timing of their meetings and on how to form the two groups, but the officials hinted at the possibility of holding such meetings within the next month in view of the persistent U.S. demand that they be held at an early date.

The two-day high-level talks, the third in a series of such talks since January, failed, however, to reach an agreement on the timing of tariff cuts on lumber imports.

Tokyo wants the cuts to come in "about three years" from July, July being the target month for announcement of a three-year "action program" of market-opening measures, but Washington asked Japan to pin down the size and timing of the tariff cuts in advance of the projected announcement.

The Japanese delegates told their U.S. counterparts that Japan intends to give top priority to revitalizing the domestic forestry industry rather than to tariff cuts.

The U.S. side, however, renewed its call for Japan to reduce tariffs simultaneously with domestic countermeasures, saying that Japanese industry has an advantage over the U.S. industry.

The Japanese representatives, however, merely responded by seeking U.S. understanding of the Japanese market-opening measures announced on April 9, stressing that they were very important decisions made by the highest level of the Japanese Government and ruling Liberal-Democratic Party.

The lumber products talks, held at the Foreign Ministry, were attended by Tsunehisa Tanaka, director general of the Japanese Forestry Agency, and Daniel Amstutz, U.S. undersecretary of agriculture for international affairs.

CSO: 4100/577

ECONOMIC

MITI MINISTER ADDRESSES EUROPE COUNCIL MEETING

OW041111 Tokyo KYODO in English 1020 GMT 4 Jun 85

[Article by Irene M. Kuni]

[Text] Tokyo, 4 Jun (KYODO)--Minister of International Trade and Industry Keijiro Murata, addressing the Council of Europe's Sixth Parliamentary and Scientific Conference in Tokyo Tuesday, pledged greater Japanese cooperation in international research projects as part of his ministry's policy.

He said his ministry is committed to preparing an environment for international cooperation.

"Technological development requires enormous research funds beyond the reach of one country alone and multilateral and bilateral research cooperation to make possible the effective use of research funds and research personnel," Murata said.

Posts and Telecommunications Minister Megumu Sato, also present at the confab, told the 150 parliamentarians and scientists from 25 nations including the 21 West European council member states, "1985 is an epoch-making year regarding Japan's telecommunications."

He pointed out that with the recent privatization of Japan's telecommunications monopoly, "excellent, advanced, high quality, low-priced communications equipment, whether domestic or foreign, will both benefit and contribute to the development of Japan's telecommunications."

The Council of Europe is holding its first major conference outside Europe, on the theme of science and role of government, in Tokyo June 3 to 6.

The council, whose 170 assembly members are also representatives of the parliaments of council member nations, serves as Western Europe's discussion platform for issues related to human rights and democracy.

According to council assembly president Karl Ahrens, the role of the assembly lies in generating discussion and determining conventions and treaties for consideration by the home governments of the member states.

John Marcum, director for science, technology and industry of the Organization for Economic Cooperation and Development (OECD), taking part in the conference, stressed that high tech advances have exerted a major impact on economic growth.

He pointed out that while high-tech industry is not noted for creating employment, development in the field have led to major job increases in the service sector.

"The real contribution is that the industry produces goods which enable other industries to become more productive--it is wealth generating."

However, he added, "There is growing concern that Europe is falling behind Japan and the United States in developing and exploiting new technology."

He cited the European Community's 9.9 billion dollar trade deficit with the United States and Japan in research- and development-intensive products as evidence.

Other topics taken up during Tuesday's session included the issue of surrogate birth, the need for governments to find a balanced decision concerning morality and genetic engineering, the role of scientists and the control of technology.

David Ingvar, president of the Swedish Medical Association, and Klaus Pinkau, scientific director of West Germany's Max-Planck Institute for Plasma Physics, were among the invited specialists presenting papers at Tuesday's session.

During a general discussion period, Vincent McBrierty, dean of science at Dublin's Trinity College, pointed out that universities today are being pressured to turn out over-specialized students to meet industrial needs.

The danger, he added, lies in the fact that existing technology has a lifespan of only several years.

Conference participants will spend one day touring the Tsukuba Expo area before concluding the conference Thursday.

CSO: 4100/577

ECONOMIC

JAPAN, EC OPEN HIGH-LEVEL TALKS IN TOKYO 3 JUN

OW030139 Tokyo KYODO in English 0122 GMT 3 Jun 85

[Text] Tokyo, 3 Jun (KYODO)--Japan and the European Community (EC) Monday opened the latest in a series of biannual high-level consultations in Tokyo to exchange views on the world economy and bilateral issues such as trade, investment and scientific and technological cooperation.

The three-day talks, following a two-day meeting of the bilateral trade expansion committee, also in Tokyo, last Thursday and Friday, will focus on the new round of multilateral trade negotiations which Japan and most other advanced countries hope to start in 1986 and the roles to be played by Japan and Western Europe in sustaining world economic growth, Japanese officials said Monday.

France and many developing countries are taking a lukewarm attitude toward the new round of talks under the General Agreement on Tariffs and Trade (GATT), saying full preparations are needed to start the negotiations. France specifically objected to setting the start of the talks for 1986 at the recent Bonn economic summit.

Japan and the EC are being urged to "take up the slack" in nurturing the world economy in view of an apparent slowdown in the U.S. economy.

On bilateral affairs, the EC is expected to call upon Japan to open its markets wider to foreign products and services to reduce the EC trade deficit with Japan, which totaled some 10 billion dollars last year.

The consultations, where the first two days will be spent in preparatory discussions, are led by Reishi Teshima, deputy foreign minister for economic affairs, for the Japanese and by Leslie Fielding, director-general for external affairs of the EC Commission, on the EC side.

The Japan-EC trade expansion committee met to review bilateral trade issues, including an EC call for improvements in Japanese procedures on standards and certification.

CSO: 4100/577

ECONOMIC

BANKERS ACCEPTANCE MARKET BEGINS TRAINING

OW011023 Tokyo KYODO in English 0945 GMT 1 Jun 85

[Text] Tokyo, 1 Jun (KYODO)--In a continued effort to liberalize its financial markets, Japan Saturday put into effect another set of decontrol measures, including establishment of a yen-denominated bankers acceptance (BA) market and the start of full-scale trading in public bonds by banks.

The Bank of Japan said about 62 billion yen worth of trade took place in the BA market on the first day. Market sources described the turnover as "quite good."

The market was created to give exporters and importers another means of short-term trade financing and to increase the use of the yen in international finance. The market features sales of yen-quoted trade financing bills, which are accepted by banks. Banks sell them to investors and use the funds thus raised for trade financing.

The Central Bank said interest rates on one- to three-month BA's averaged 6.2-6.3 percent, slightly lower than rates on other short-term bank instruments such as commercial bills and negotiable certificates of deposit (CDs).

Japan's import contracts written in yen account for only 3 to 4 percent of the country's total imports, the rest being mostly in U.S. dollars. Bank of Japan officials said an increase in yen-denominated trade would boost the BA market.

Meanwhile, commercial banks' trading in outstanding public bonds, previously limited to those with remaining maturities of not more than two years, was expanded to all but new issues, boosting the day's turnover to a level almost equivalent to a normal one-month volume.

At the same time, the number of banks authorized to deal in public bonds was increased to 87 from 37. More banks are to be allowed into bond trading in the future.

In another related development, [word indistinct] brokerage houses were given the go-head to trade in the CD market, which was previously limited to banks and other financial institutions. CD deals by the 13 largest brokers totaled about 500 billion yen, market sources said.

The measures are part of Japan's financial liberalization program based on an agreement reached by the so-called Japan-U.S. yen-dollar committee in May last year. Other measures taken so far include permission for Japanese firms to issue Euroyen bonds and for Japanese banks to extend Euroyen loans. The Euroyen is the name given to Japanese currency circulating in European money markets.

CSO: 4100/577

ECONOMIC

MINISTRY ALLOWS PUBLIC BONDS FOR FOREIGN BANKS

OW311441 Tokyo KYODO in English 1101 GMT 31 May 85

[Text] Tokyo, 31 May (KYODO)--The Finance Ministry Friday gave permission for 50 more banks, including five foreign banks, to deal in government and other public bonds, the ministry said in a press statement.

The ministry also approved dealings in negotiable certificates of deposit (CDs) by 63 Japanese and eight foreign securities firms, the statement said.

Sixty-two securities firms were also given permission to extend loans of up to 2 million yen with public bonds posted as security, it said.

The eight foreign securities firms allowed to deal in CDs include Merrill Lynch International Bank Inc, Smith Barney, and Salmon Brothers Asia Ltd.

Banks allowed to deal in public bonds comprise 44 Japanese regional banks, one Japanese Sogo (Mutual Loan and Savings) Bank and five foreign banks.

The foreign banks are Morgan Guaranty Trust Company of New York, Manufacturers Hanover Trust Co, Chemical Bank, Bankers Trust Co and Banquet de l'Indochine et de Suez.

A total of 37 banks including three foreign banks were given such to go-ahead to deal in public bonds last year.

With the approval of CD dealing by securities houses, competition is expected to increase between brokerage firms and banks for the high-yield, floating-rate financial instrument in the months ahead.

The CD market, which emerged in 1979 and has been dominated by banks, is expanding at a rapid pace with its outstanding balance totaling about 9 trillion yen. Fund managers of Japanese corporations are attracted to CDs rather than bonds to expand assets because CDs are not subject to securities transaction tax.

The minimum denomination of CDs was lowered in April to 100 million yen from the previous 300 million yen, which makes the instrument more attractive to investors, industry sources said.

CSO: 4100/577

ECONOMIC

EC DELEGATION HEAD SEES PROGRESS IN TALKS

OW311239 Tokyo KYODO in English 1159 GMT 31 May 85

[Text] Tokyo, 31 May (KYODO)--Raymond Phan Van Phi, director for external relations of the European Community (EC) Commission, Friday came out of the second Japan-EC trade expansion committee meeting "less disappointed" than he did from the first meeting held last February.

"I said then I was disappointed. This time, there has been some progress, there have been genuine efforts to make progress and therefore I would say I am less disappointed," Phan Van Phi said during a press conference after the two-day meeting.

The discussions centered on government procurement, counterfeiting problems, misleading labelling, registration of trade marks, import procedures, standards and certification procedures.

Phan Van Phi, who described the two-day discussions as "very intense," said there had been some progress on the question of counterfeiting.

At the first meeting, the EC requested the creation by the Japanese Government of an inter-agency task-force to deal with the matter.

The Japanese Government this week informed the EC that such a liaison committee was being set up with the Foreign Ministry, the Ministry of External Trade and Industry (MITI), the Japanese Patent Office, the National Police Agency and the Fair Trade Committee participating.

"I am not sure when this body will be formed or established and what will be the exact role, or whether it will take action. What we are interested in is quicker action and a shorter response time. But obviously there has been an effort to respond to our suggestion," he said.

On the question of labelling, Phan Van Phi said there was "some progress, made in a very Japanese way."

The EC was asking the Japanese Government to introduce legislation requiring an indication of country of origin, the percentage of mixed content and the different ingredients in Kanji or Kana, for clothing and wines.

Phan Van Phi said they were told at the meeting the Japanese manufacturers have introduced a voluntary system under the guidance of the importers.

"Does it solve the problem? I must say I still don't know," he said.

Phan Van Phi also said the EC heard some explanations from the Japanese side on provisions of the market-opening measures adopted April 9 by Japan.

The EC was very much concerned about a measure concerning pharmaceuticals and medical equipment, which says that when pharmaceuticals and medical equipment are submitted for the examination for approval under the pharmaceuticals affairs law, foreign clinical test data shall be accepted for medical equipment and in vitro diagnostic reagents if they are immune to ethnic differences.

The EC was especially preoccupied by the meaning of "immune to ethnic differences."

Phan Van Phi said about the state of Japan-EC relations that "there is awareness of the problems on the Japanese side; efforts are being made; movements have been detected. But much remains to be done."

CSO: 4100/577

ECONOMIC

NATION'S CURRENT ACCOUNT SURPLUS UP IN APRIL

OW311423 Tokyo KYODO in English 0710 GMT 31 May 85

[Text] Tokyo, 31 May (KYODO)--Japan's current account surplus grew to 4.13 billion dollars in April before seasonal adjustments from 3.46 billion dollars in March, the Finance Ministry said in a preliminary report Friday.

The surplus was the largest for April, compared with the previous peak of 3.52 billion dollars in April 1984.

The surplus on current account--covering goods and services trade plus transfer payments--resulted mainly from a 4.14 billion dollar merchandise trade surplus against a 4.18 billion dollar surplus in March. The April trade surplus increased from a year-earlier surplus of 3.9 billion dollars.

Exports rose to 14.72 billion dollars from 14.39 billion dollars in March, showing the first year-on-year increase of 3.1 percent in three months. A 12.5 percent rise in exports to the United States, supported by increased motor vehicle exports, was largely responsible for the export growth, ministry officials said.

Exports to China more than doubled in April under the lead of steel and television sets.

April imports rose to 10.58 billion dollars from 10.21 billion dollars in March, representing a 2.1 percent increase from a year earlier, the ministry said.

The rise in imports mainly came from a year-on-year 2.1 percent increase in imports of non-oil products such as iron ore and forestry products. Crude oil imports dropped 3.9 percent.

The balance of invisible trade, which includes services trade and transfer of investment returns such as interest and dividend payments, showed a surplus of 93 million dollars for the first surplus since the ministry began compiling payments statistics in April 1965, officials said. There was a 348 million dollar deficit in March.

The surplus was attributed to a sharp rise in the new receipt of investment profits to 1.18 billion dollars from 693 million dollars in March.

Nearly all other categories of money flow were in deficit in April.

The long-term capital balance was in the red by 5.55 billion dollars, compared with a deficit of 5.07 billion dollars in March.

The basic balance, which excludes volatile short-term capital flows and thus is seen as a yardstick of a nation's fundamental payments position, was in deficit by 1.43 billion dollars, down from 1.61 billion dollars in March.

The short-term capital account had a deficit of 314 million dollars against a surplus of 881 million dollars in March.

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ECONOMIC

LEGAL PROCEDURES FOR SETTING UP BUSINESS IN JAPAN OUTLINED

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[Article by Mu Jiaren [4476 1367 0086]: "Legal Procedures and Other Problems Meriting Attention in Setting up Joint or Wholly-Owned Ventures in Japan"]

[Text] As the open door policy is being actively pursued in China, more and more Chinese enterprises have begun to engage in business abroad. Some have already established joint and wholly-owned ventures while others are making plans to follow suit. However, in view of the different requirements for setting up companies in Japan and China, it is necessary to acquire an understanding of the pertinent laws and regulations in Japan, the procedures for setting up companies, and such problems as the payment of taxes. This article is intended to serve as a general guide to such problems on the basis of the relevant materials available.

I. Government Control Over Direct Foreign Investments in Japan

Establishing joint or wholly-owned companies by foreigners in Japan is considered direct investment. For this reason, they are legally subject to the restrictions imposed by the "Law for the Control of Foreign Exchange and Foreign Trade" enacted in December 1979, which is a revised version of the same law of 1949 and the "Foreign Capital Law" of 1950. Insofar as foreign trade was concerned (including the exchange of commodities and capital), the basic principle behind the old "Law for the Control of Foreign Exchange and Foreign Trade" and the "Foreign Capital Law" was "prohibition in general with approval being given in particular cases." The revised "Law for the Control of Foreign Exchange and Foreign Trade," on the other hand, provides for "freedom in principle and restrictions in particular cases." Regarding direct investments by foreigners in Japan, the system of granting approval was adopted by the old law while the new law merely calls for the registration of such ventures. Specifically, the new law requires that foreign investors submit a report to the Minister of Finance and the concerned ministries and departments (the concerned ministry is the Ministry of International Trade and Industry if the investment project is under the control of that ministry) stating the nature of the investment, the scale of the investment and the duration of the investment.

Whereas in regard to direct investment by foreigners in Japan the Japanese government has adopted the position of "freedom in principle," it still

investigates the applications and imposes "the minimum amount" of control. Investigation focuses on the following: 1) Whether or not the investment project is prejudicial to national security, public order and the safety of the people. Thus permission is denied projects involving the manufacture of aircraft, weapons, gunpowder, nuclear energy and space development. 2) Whether or not the foreign investment project has an adverse effect on similar industries (enterprises) in Japan itself. To protect its own national industries, the Japanese government rules out foreign investments in agriculture, forestry, aquatic products, mining, petroleum and the leather industries. 3) On the basis of the "principle of reciprocity," the Japanese government also takes into consideration the attitude taken by the foreign government concerned regarding investments made by Japanese enterprises. That is to say, the degree of latitude (or restriction) given by the Japanese government depends on the degree of latitude (or restriction) offered Japanese enterprises by the foreign government concerned. Although the period required for investigation is normally 30 days, it may, if necessary, be extended to 4 months. If, after the period of investigation, the Japanese government feels it necessary to impose certain restrictions, the Ministry of Finance and other concerned ministries would urge the foreign investor to cancel or to modify the investment project. Should the foreign investor fail to accept the advice of the Ministry of Finance and the other ministries within 10 days, an order is issued by the Ministry of Finance and the concerned ministries to the foreign investor to cancel or modify the investment project.

Since the joint or wholly-owned enterprises established by foreigners in Japan are companies on Japanese soil, they are naturally subject to the restraints imposed by Japanese laws such as the "Commercial Law," the "Anti-Monopoly Law," the "Stock Exchange Law" and the "Finance Ministry Law." According to its stipulations, the "Anti-Monopoly Law" prohibits the establishment of companies for the purpose of supporting other companies. The main function of the "Stock Exchange Law" is to protect the interests of investors in general. A stock company is free from legal restraints if it is established without having to raise stocks and shares from investors in general. The "Ministry of Finance Law" stipulates that enterprises with capital exceeding 100 million yen must submit an annual negotiable securities report to the Ministry of Finance.

II. Types of Japanese Companies and the Way Stock Companies Are Established

The general pattern of Japanese enterprises in general and large enterprises in particular is that of stock companies (known as limited companies in Japanese). The special feature of stock companies is that funds are raised by issuing shares of small denominations and that many stockholders own a small number of shares. In view of the large number of stockholders, most of whom are only interested in earning bonuses, it would be difficult to allow all of them to participate in company operations. Therefore the law stipulates that the stockholders assembly, the trustees, the board of directors and supervisors are to assume actual responsibility for the operation of the enterprises. According to the Commercial Law, in addition to stock companies, "limited companies," "joint companies" and "partnership companies" may also be established. Those who invest in "limited companies" are known as "members" instead of shareholders. According to the Commercial Law, the number of "members" of "limited companies" must be under 50 and the amount

of capital must be over 100,000 yen. The special features of such companies are the ease with which mutual trust can be established among the "members," the relative freedom in drafting company regulations and the greater ease of management compared to stock companies. Generally speaking, "joint companies" are smaller in size than "limited companies." There are two kinds of members of joint companies, namely, "members with limited responsibilities" and "members with unlimited responsibilities." "Members with unlimited responsibilities" are to deal with the operations of the company while "members with limited responsibilities" merely furnish the capital without involving themselves in company operations. Should debts be incurred by the company, "members with limited responsibilities" are only responsible for the amount of debt in proportion to the amount of capital they have put in while "members with unlimited responsibilities" must, in their capacity as guarantors, be responsible for the payment of all debts incurred. "Partnership companies" are even smaller than "joint companies." "Members" are not divided into "members with limited responsibilities" and "members with unlimited responsibilities." In other words, they are all "members with unlimited responsibilities." While the special features of the various types of companies mentioned above generally apply, most stock companies are actually very small and are no different from the "partnership companies" and "joint companies."

There are two ways to establish stock companies, the "closed" form and the "public bidding" form. The "closed" form involves convening a meeting by a small number of sponsors to draft company regulations and to go through the procedure for establishing the company under the supervision of the law court. By "open bidding" is meant the formulation of company regulations by the sponsors and the raising of funds through the sale of shares prior to convening a shareholders meeting and announcing establishment of the stock company, which does not require the supervision of the law court.

Since the "closed" form is subject to court supervision and entails certain inconveniences, the "open bidding" form is generally adopted by the stock companies. The law stipulates that the minimum number of sponsors required for "open bid" funding of a stock company is seven (natural persons and legal persons). The seven sponsors may offer to buy the majority of the shares before raising the necessary funds by selling a small number of shares to other shareholders. Companies set up in this fashion are no different from those set up by adopting the "closed" form. There are lawyers and legal experts in Japan who specialize in dealing with such matters and who are able to complete all procedures related to establishing stock companies within a week or 10 days. If real estate, equipment and patent rights are used as investment funds instead of cash, stock companies set up by the "open bidding" form are also subject to court supervision. For this reason, it is best to use ready cash as investment funds for setting up stock companies.

III. Problem of Taxation

The Japanese tax law has special provisions for setting up joint or wholly-owned foreign enterprises, provisions which apply equally to Japanese enterprises. All companies set up in Japan in their "own name" in conformance with

Japanese law are, according to the tax law, regarded as "common domestic legal persons" and must pay taxes and local taxes as such. The amount of tax depends on the income of the enterprises, that is, the amount of sales minus expenses. Japan also provides for certain stipulations in the accounting of the enterprises. Although these stipulations are not regarded as laws or decrees, they are equally binding on the enterprises. The more important are "Principles of Accounting of the Enterprises" drawn up by the "Ministry for the Stabilization of the Economy" (the predecessor of the present Economic Planning Agency) in 1948 and the "Regulations of the Compilation of Financial Statements" issued by the Ministry of Justice. The latter includes "Regulations for the Compilation of Loan Balance Sheets" and "Regulations for the Compilation of Profit and Loss Statements." In addition, Article 281 of the Commercial Law also contains certain stipulations regarding the principles of accounting of the enterprises, according to which the accounting of Japanese enterprises must adopt the double-entry bookkeeping system.

According to Japanese tax laws, the government also levies taxes (personal income taxes) on the dividends paid to stockholders as well as the income of the enterprises.

Japanese corporate taxes impose two tax rates, a low rate (32 percent) for the payment of dividends out of the income of the enterprises, and a high rate (42 percent) for the income of the enterprises that is not used for the payment of dividends. A low rate is assessed for the payment of dividends because an additional 20 percent personal income tax is levied on the dividends paid to shareholders. If the amount of capital of an enterprise is under 100 million yen and the taxable amount of income is under 8 million yen, only a 24 percent corporate tax is levied on the amount used for the payment of dividends out of the income of the enterprises (the tax rate is still 42 percent for that part of the income not used for the payment of dividends).

The rate of local taxes levied on the enterprises located in the Tokyo, Hokkaido, Kyoto and Osaka areas is relatively low. The rate is 6 percent for incomes under 3.5 million yen and 9 percent for incomes over that amount. Most enterprises in Japan engage special tax experts to manage their taxes.

IV. Matters Meriting the Attention of Joint and Wholly-Owned Enterprises in Japan

Insofar as the establishment of Sino-Japanese joint companies is concerned, the most important thing is the maintenance of mutual trust and cooperation; and the maintenance of the fixed ratio of shares held by both parties is essential to the maintenance of mutual trust and cooperation. In order to maintain the ratio of shares owned by each party, attention should be directed to the following:

First, it should be stated in the enterprise's charter that "without the approval of the board of directors, neither party may transfer the shares it owns." Otherwise, the transfer of shares by one party to a third would damage the relationship characterized by mutual trust and cooperation of joint companies.

Second, enterprise regulations should also stipulate that the parent companies on both sides are empowered to purchase new stocks. If this is not explicitly stated, the parent companies may not have such powers because the issuance of new stocks is a matter that must be decided by the board of directors. If this provision is specifically stated in the regulations, it will prevent a great deal of confusion in company operations when the company increases its capital and a third party is involved.

In setting up a joint company, efforts should also be made to prevent the development of the following situation: In view of the fact that joint companies operate as the designated representatives of the parent companies, there are frequent occasions when they must consult their parent companies. Thus, when a decision has to be made, unlike ordinary enterprises, joint companies are unable to respond promptly to opportunities. Any serious divergence of opinion in operational policy between the parent companies on both sides affects the work of their designated representatives. If the capital furnished by and the number of directors on both sides are on a fifty-fifty basis, it is possible that no decision can be made in the absence of a majority vote in a meeting of the board of directors. When there is a difference in the amount of capital furnished by the two sides, and in order to protect the interests of the party contributing a smaller share of the capital, it should be stated in the company regulations how such a situation (or major problem) is to be resolved, such as the approval of over two-thirds of the directors.

If there is a difference in the amount of capital furnished by the two sides, the election of members of the board of directors is also a matter that merits attention. If board members are elected by shareholders on the basis of the number of their shares, it is likely that all the candidates nominated by the party holding a majority of shares would be elected while all the candidates nominated by the party holding a minority of shares would be defeated. To prevent this from happening, Section 3 of Article 256 of the Commercial Law provides for "accumulative voting," that is, voting not according to the number of votes, but election of board members according to proportionate amounts of investment.

The last recourse for the party contributing a smaller share in a joint company is to dissolve the company. However, there are times when it is not even in a position to do that since the dissolution of a company is a matter that must be decided by the board of directors. For this reason, the company regulations must set forth in writing how the dissolution of a company is to be dealt with or set a term of duration for the company (permitting the dissolution of the company at the end of the term). If disputes between the two parties of a joint company cannot be resolved within the company, they are to be settled by civil action in a court of law.

The Japanese Labor Law must be understood by joint companies as well as wholly-owned companies. To protect the legitimate rights of employees (workers), the Japanese government has enacted a series of laws which offer workers the right to close ranks, to arbitrate in a dispute, and to organize unions. Unless a worker is seriously delinquent in his work, negligent, or prone to creating incidents, he cannot be casually dismissed by the company. For this reason, the employment of Japanese workers must be handled with a great deal of care.

In addition, the establishment of joint or wholly-owned companies in Japan requires an understanding of civil laws. Provisions made in Article 715 of the Civil Law is of great importance. According to "the responsibilities of the employer," when a company employee hurts or kills somebody with his car while on company business, the company is held responsible for the payment of damages. Even if the car is owned by the employee himself, his company is still responsible for damages for accidents incurred while the employee is on company business. When an employee hurts or kills somebody while engaged in personal business, the company is still liable for the payment of damages if the car is the property of the company.

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ECONOMIC

BRIEFS

ECONOMIC GROWTH RATE SLOWING--Tokyo, 28 May (KYODO)--The Japanese economy remains on an expansionary note, though the pace of growth seems to be slowing, according to Economic Planning Agency economic indicators released Tuesday. The leading indicator for March, the latest reporting month, remained unchanged from a month before at 50, the so-called "boom or bust" line, after standing at 41.7 in January. But the coincident indicator, a measure of the current state of the economy, dropped to 27.3 in March from 31.8 in February, EPA said. The lagging indicator, which measures business trends in the recent past, rose to 50 from 33.3 in February. EPA officials blamed the coincident indicator fall on drops in industrial production, consumption of raw materials and manufacturing facility operation rate, which resulted from slow exports, particularly to the United States. "The Japanese economy basically continues expanding, though at a slower pace now," said one official. [Text] [Tokyo KYODO in English 0903 GMT 28 May 85 OW]

AGRICULTURAL PRODUCE TARIFFS--Tokyo, 28 May (KYODO)--A senior official at the Ministry of Agriculture, Forestry and Fisheries indicated Tuesday that import tariffs on some agricultural produce may not be lowered in the action program for opening Japanese markets. Hidero Maki, the ministry's councillor in charge of general affairs, told a meeting of prefectural governors of the Kanto region that the ministry may say "no" to tariff cuts on some items after reviewing all the items in line with the government's policy. The action program is to review Japan's import duties and restrictions, and standards on industrial and agricultural products as a way to ease trade friction between Japan and other countries. The government is now proceeding to work out the outline of the program, to be announced in July, based on the premise "free in principle, with restriction as exceptions." Maki stressed that "Japan is the single largest importer of agricultural produce, with annual imports in this area amounting to as much as 16.3 billion dollars. Most of such imports come from the U.S. even if Japan's agricultural imports were to increase further hereafter, it would not lead to a marked improvement in the trade imbalance," he said. [Text] [Tokyo KYODO in English 1148 GMT 28 May 85 OW]

NISSAN IMPORT PROMOTION COMMITTEE--Tokyo, 24 May (KYODO)--Nissan Motor Co Friday decided to set up an import promotion committee within the company to promote procurement of auto parts from overseas. The company will report the decision to the Ministry of International Trade and Industry shortly. Through

the action, taken in response to the government's request to expand imports, Nissan plans to increase imports of auto parts and equipment from 62.5 billion yen in fiscal 1984 to 68 billion yen in the current year ending next March. Besides, Nissan will spend 3.7 billion yen to procure a supercomputer from the U.S. and goods for promotional use in the year. Toyota Motor Corp, having already launched an import expansion committee, will increase imports of auto parts and other equipment in fiscal 1985 from the originally planned 52 billion yen, itself up 5 billion yen from the previous year. Mazda Motor Corp, Mitsubishi Motors Corp and Honda Motor Co are also planning to form similar committees. [Text] [Tokyo KYODO in English 1058 GMT 24 May 85 OW]

PRC MOTORCYCLE ASSEMBLY--Tokyo, 23 May (KYODO)--Suzuki Motor Co has concluded a technical tie-up agreement with the Chinese Jinan Motorcycle Corp of Shandong Province to manufacture 50-91 cc motorcycles in China, a Suzuki spokesman said Thursday. The Chinese firm will start assembling the motorcycles using parts imported from Japan in July with an annual production of some 20,000 in the initial year, he said. The spokesman refused to disclose further details of the project. Suzuki is the third Japanese motorcycle maker to begin Chinese production. Honda and Yamaha are both in the Chinese market. [Text] [Tokyo KYODO in English 0834 GMT 23 May 85 OW]

PRC CITY, BANK COOPERATION--Nagoya, 23 May (KYODO)--Nagoya Sogo (Mutual) Bank said Thursday it has concluded a business cooperation agreement with a Chinese city to promote mutual trade. A bank spokesman said the agreement, sealed with the Nantong Municipal People's Government in Jiangsu Province, calls for both sides to act as sort of "go-betweens" for prospective Japanese and Chinese companies wanting to start joint ventures and other business, including leasing, in Nantong, which is active in the light industry. In this connection, both sides will provide pertinent information of whatever business these prospective companies want, with Nagoya Sogo Bank supplying necessary funds. Already, there are three Sino-Japanese joint ventures in Nantong, one of the 14 Chinese coastal cities designated last year as "Special Economic Zones" to facilitate foreign trade. The bank also said it has agreed to conclude a correspondence contract with the Bank of China for the first such agreement for a Japanese Mutual Financing Bank. [Text] [Tokyo KYODO in English 1106 GMT 23 May 85 OW]

EMERGENCY AID FOR BANGLADESH--Tokyo, 30 May (KYODO)--The Japanese Government announced Thursday a decision to give 1.2 million dollars in emergency aid to Bangladesh to help cope with damage caused by a recent cyclone. The Foreign Ministry said the government had decided to offer the assistance to Bangladesh "in consideration of the friendly relations between the two countries and from a humanitarian point of view." The devastating May 24 cyclone has reportedly killed 20,000 people in Bangladesh. Another 25,000 people are said to be missing. The Japanese Red Cross also announced Thursday that it would donate 50 million yen's worth of rice and other emergency relief materials to Bangladesh. Red Cross officials added that they had decided to launch a public donation campaign to help the cyclone victims. [Text] [Tokyo KYODO in English 0828 GMT 30 May 85 OW]

11 July 1985

JAPAN-USSR PROVISIONAL TAX AGREEMENT--Tokyo, 31 May (KYODO)--Japan and the Soviet Union on Friday initialed a pact on avoidance of double taxation after nearly five years of negotiations, a Foreign Ministry official said Friday. He said the provisional treaty removes a stumbling block to an expansion of economic and cultural exchanges between the two countries. It took nearly five years for the two countries to conclude the agreement because of different social systems and tax structures, the ministry official added. Japanese and Soviet officials began the latest round of negotiations on the pact Monday and successfully wound up their talks Friday. Tokyo and Moscow originally started the tax treaty negotiations in Moscow in October, 1980, and held their second and third meeting in Tokyo and Moscow in September, 1982, and in June, 1984, respectively. Japanese officials said Japan currently has similar tax pacts with 35 countries, including China and four East European countries. The Soviet Union has signed such tax treaties with the United States, West Germany and several other non-communist or socialist countries. [Text] [Tokyo KYODO in English 0946 GMT 31 May 85 OW]

FOREIGN INVESTORS TRADE IN BONDS--Tokyo, 31 May (KYODO)--Foreign investors sold and bought Japanese bonds at record levels in April, reflecting a firm note in the bond market and appreciation of the Japanese yen, the Finance Ministry reported Friday. Foreign bond purchases totaled 7.34 billion dollars and sales 7.08 billion dollars in April, leaving foreigners as net buyers by 264 billion dollars, the ministry said. The figures compared with foreign buying of 5,138 million dollars and selling of 5,137 million dollars in March. Ministry officials said the yen, which rose to the 240 yen level against the U.S. dollar in April, encouraged foreign investment. Foreigners were net sellers of Japanese corporate shares by 899 million dollars in April in contrast to net purchase of 277 million dollars in March. Stock purchases totaled 2.39 billion dollars and sales 3.29 billion dollars, compared with 3.89 billion dollars and 3.62 billion dollars, respectively, in March. [Text] [Tokyo KYODO in English 0852 GMT 31 May 85 OW]

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